Agriculture Financial Services Corporation

2013-14 Annual Report

Unique Financial Services

AFSC

INSURANCE • LENDING • INCOME STABILIZATION

Table of Contents

Letter of Transmittal 2

Message from the Minister 3

Message from the Chairman 5

Rebuilding High River: The AFSC Story 7

Rebuilding High River: A Personal Account 9

Overview of AFSC Programs 11

Slave Lake: Three Years After the Fire 22
Slave Lake: AFSC Loan Program Keeps Businesses in Slave Lake 24
Slave Lake: Flying High with AFSC 24

Management Discussion & Analysis 26
- Alberta's Agriculture Industry 2013-14 26
- Assistance for Alberta's Agriculture Sector in 2013-14 28
- ***Growing the Future of Agriculture*** 36
- ***AFSC and 4-H: Opening Doors for Alberta's Youth*** 37
- Community Investment 38
- *Rebuilding High River: The 'Heart' of AFSC* 39
- Customer Service Commitment 40
- Goals and Corporate Performance 41
- Enterprise Risk Management 43
- Financial Highlights 47

Statistical Summaries 48

AFSC Corporate Governance 51

Management's Responsibility for Financial Reporting 54

Independent Auditor's Report 55

Financial Statements 56
- Statement of Financial Position 59
- Statement of Operations
- Statement of Cash Flows
- Notes to Financial Statements
- Schedule of Operations
- Schedule of Salaries and Benefits

Map of AFSC Offices

Unique Financial Services
AFSC
INSURANCE • LENDING • INCOME STABILIZATION

Letter of Transmittal

June 2014

The Honourable Verlyn Olson
Minister of Agriculture and Rural Development
228 Legislature Building
10800 97 Avenue
Edmonton, Alberta T5K 2B6

Dear Minister Olson:

On behalf of the Board of Directors, we are pleased to submit the nineteenth annual report of the Agriculture Financial Services Corporation.

As required by Section 15 of the *Agriculture Financial Services Act* (RSA 2000, c. A-12) the report contains a summary of the transactions and affairs of the Corporation, its revenues and expenditures for the fiscal year ended March 31, 2014.

The report also contains audited financial statements, comprised of the statement of financial position, statement of operations, statement of cash flows and notes to the financial statements.

Yours truly,

George Groeneveld
Chairman

Brad Klak
President and Managing Director

ALBERTA
AGRICULTURE AND RURAL DEVELOPMENT

Honourable Verlyn Olson, Q.C.
MLA, Wetaskiwin-Camrose

MESSAGE FROM THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT

It is my pleasure to have served the people of Alberta as Minister of Agriculture and Rural Development for the past two years. During that time, I have seen an incredible amount of respect from the rest of the country for the citizens of Alberta, particularly their innovation, determination and entrepreneurial spirit. These characteristics have shaped our province into what it is today and are evident throughout our agriculture industry, where a very diverse group of producers manage risk, weather and world markets as they produce top quality products that are in demand around the globe.

Agriculture is Alberta's largest renewable industry, and second only to oil and gas, it is Alberta's second largest industry overall. In 2013, commodity prices remained strong, farm cash receipts were approximately $12 billion, a record year for producers. Primarily an export industry, the 2013 exports totaled approximately $9 billion and the industry directly and indirectly employs about 73,000 Albertans. For every on-farm primary producer, there are four off-farm jobs.

2013 saw a number of records for AFSC as it supported the agriculture industry:

- A record 77 per cent of annual crop acres insured,
- Record premiums of $851 million, including $23 million for the Livestock Price Insurance Program,
- Record insurance coverage of $6.7 billion,
- Near-record lending volumes of $551 million.

It is important to acknowledge that AFSC staff were able to make considerable improvements to service delivery, including, improving turnaround times for crop claims and improving efficiencies and consistencies in loan treatments.

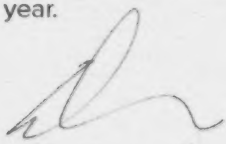
2013 also brought an unimaginable disaster to Southern Alberta with the June 2013 flood. Although the direct number of agriculture producers impacted by flooding was relatively small, it was still devastating for many Albertans.

AFSC delivers agriculture insurance and income stabilization programming on behalf of government, and lends capital to producers, agribusinesses and other commercial entities. Given that agriculture is and has always been subject to variability, managing risk is a big part of producers' success, as is acquiring loans at fair rates and under competitive conditions.

AFSC's Livestock Price Insurance Programs have provided almost $1.8 billion in coverage for the 2013-14 fiscal year. These programs have been so successful that they were recently expanded to become the Western Livestock Price Insurance Program, now available to cattle and hog producers in British Columbia, Alberta, Saskatchewan and Manitoba. AFSC is providing administration of the programs for all the provinces.

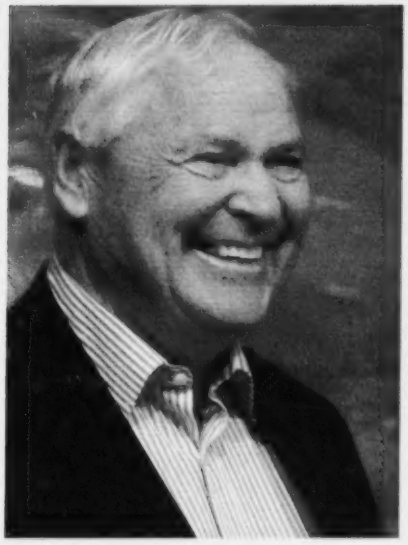
AFSC has more than 11,000 agricultural and commercial lending clients with a loan portfolio in excess of $1.9 billion. The demand for loans is approaching $600 million annually and AFSC's lending reach is significant, with about $4 billion in economic activity attributable to lending over the past seven years.

I would like to once again congratulate AFSC for being chosen one of Canada's Top 100 Employers for 2014, as well as one of Alberta's Top 65 employers. AFSC delivers agriculture programs, employing 691 staff in 54 locations and serving more than 40,000 clients in 646 communities across the province. I want to thank AFSC's Board, Management and staff for their help and hard work in supporting Alberta's agriculture industry and advancing agricultural best practices in Alberta and around the globe. Please accept my congratulations on another successful year.



Hon. Verlyn Olson, Q.C.
Minister, Agriculture & Rural Development
Government of Alberta

Message from AFSC's Board Chairman



Through many of our own experiences, the Directors on the AFSC Board certainly understand the numerous challenges that come with an agricultural way of life. One of Alberta's strengths is the way our farmers, ranchers and producers meet these often extraordinary challenges. While 2013 was overall a good year with commodity prices and farm cash receipts, there were also a number of challenges. Hail was persistent across the province, and along with hail, many communities were forever changed through the devastating southern Alberta floods.

Our Board is proud of the work that AFSC staff takes on every day of the year. Our products, services and programs continue to lead the way across the country and are some of the most responsive and innovative programs designed. We measure our success in many ways, but I think of the old adage – imitation is the sincerest form of flattery. A clear example of that happened this year, with AFSC's Livestock Price Insurance Programs being so successful that the federal government and the provinces of British Columbia, Saskatchewan and Manitoba wanted to offer the same insurance programs to their producers. The program has now become the Western Livestock Price Insurance Program and is being offered to producers across the four provinces. We should be very proud of that imitation and expansion.

Just as we were able to assist the community of Slave Lake three years ago during that devastating fire, AFSC once again stepped up and developed a number of programs to provide financial assistance to the communities affected by the June 2013 floods in Southern Alberta. Small businesses, agricultural producers, and not-for-profits were able to apply for financial assistance, including low-interest loans and interest rebates as they work to get back on their feet. A total of 56 loan guarantees have been made for approximately $12.1 million through the Alberta Flood Recovery Loan Guarantee Program, as well as nine direct loans, totaling $1.8 million in the AFSC Alberta Flood Recovery Loan Program. In addition, 41 applicants have applied to the Alberta Flood Recovery Interest Rebate Program. Given that many businesses needed more time to fully assess their property damage and determine their insurance coverage, AFSC extended the original deadline on these programs from December 31, 2013 to June 30, 2014.

AFSC employees are part of the communities in which they live and work, and they always step up to meet these disasters head on. Our staff react quickly, with single-minded purpose, and in as responsive a manner as possible. A number of AFSC staff volunteered many hours of their time to help flood victims clean up in the wake of the flood.

2013 was another year for record hail losses and our hail insurance was invaluable to many producers. Our staff have been working on ways to improve the turnaround time for hail claims and that will continue this year as well. As a producer, I know the importance of assessing damages as quickly as possible, and AFSC strives to support producers promptly.

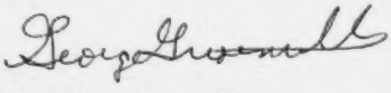
As an organization, AFSC is continuing its transformation efforts, realigning its internal structures and processes to better serve our clients. As the Board of Directors, we fully support those efforts and look forward to providing an even better client experience, from the perspective of our clients. If we are better able to understand what their needs are, we will be better able to respond to those needs and help them to be even more successful.

As this internal work was taking place, there continued to be many accomplishments throughout the year, including a record 77 per cent of annual crop acres insured, record premiums of $851 million, including $23 million for the Livestock Price Insurance Program, record insurance coverage of $6.7 billion, near-record lending volumes of $551 million, improved turnaround times for crop claims, and improved efficiencies and consistencies in loan treatments.

In 2013, the Board of Directors said goodbye to Harry Haney, our former Chair, whose term ended on December 31, 2013. Harry was Chair of the AFSC Board for eight years, and on behalf of our Board and the AFSC staff, I want to thank Harry for his work and dedication over those years and we wish him all the best in his future endeavors.

I am pleased that Minister Olson and the Premier have appointed me to Chair the AFSC Board of Directors. I look forward to steering the organization into a number of areas, including increased agri-business opportunities, Rural Economic Development initiatives and offering more products to current and potential clients across the province.

None of what happens at AFSC would be possible without a complete team – a dynamic and diverse Board of Directors, an agile and diligent Executive Leadership Team and the highly skilled and dedicated AFSC staff who continually deliver and perform. On behalf of AFSC's Board of Directors, I wish to say thank you for your continuing hard work in supporting our clients. I am confident the challenges of 2014-15 will be met with the same resilience from our team.



George Groeneveld
Chairman

Rebuilding High River: The AFSC story

A full year has passed since flood water swallowed much of High River last June, destroying homes and business throughout the southern Alberta community.

While there is still considerable work to be done, as the town gradually rebuilds and slowly gets back to normal, the community is definitely on the road to recovery, says RJ Pant, an AFSC Account Executive who has helped High River businesses access flood recovery loans over the past year.

"I'm beginning to see a vibrant High River emerge again. The streets are busy and the restaurants are full," says Pant. He notes the scene in High River today is a huge improvement over the mud and dust and boarded up businesses that dominated the landscape for months after the flood.

AFSC High River Office Flooded

Like many downtown businesses, AFSC's office on the main floor of the Provincial Building in High River was severely damaged by the flood.

As he looks back on the events that unfolded the morning of June 20, Doug Dueck says he couldn't be more proud of how his staff handled a very difficult situation. "I give so much credit to all of our staff for the incredible and admirable job they did during the flood, and in the weeks and months that followed," says Dueck, AFSC Area Manager for the High River region.

Despite having only about 30 minutes warning to evacuate the office, the staff working in the High River office that day made sure their clients got out of the building safely, called their supervisor to alert him to the situation, and forwarded their office phones to the Vulcan AFSC Branch before retreating to safety.

Uninterrupted Service Amid a Natural Disaster

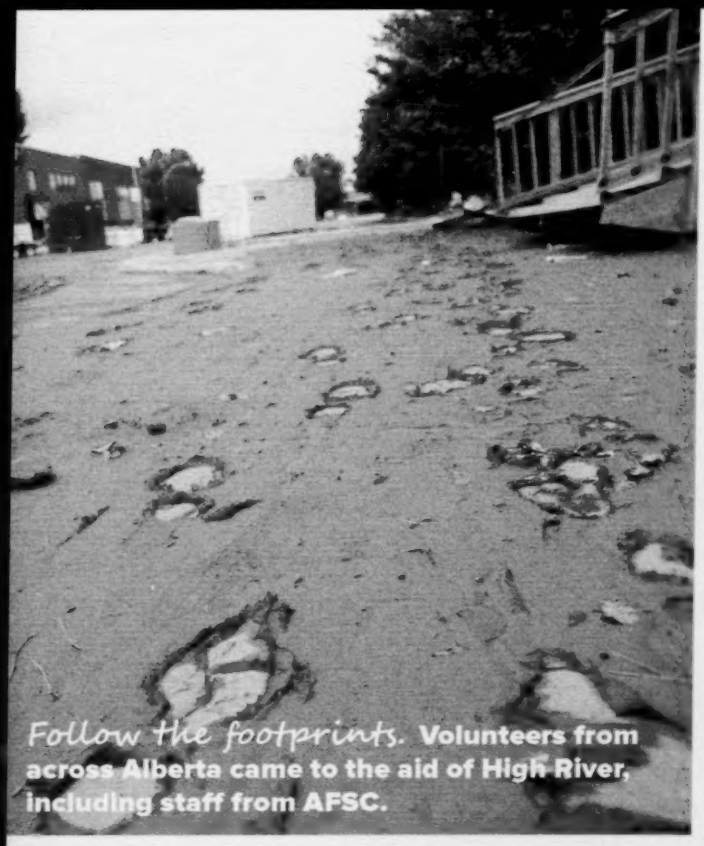
Even in the midst of a natural disaster, client service was uninterupted at AFSC.

"We're very proud of the continuous and uninterrupted service our staff was able to provide to clients both during and after the High River flood," says Dueck. "Service to clients was seamless because once the phones were forwarded, staff in Vulcan and Claresholm stepped up and looked after all of the calls that came in. We were able to meet clients' needs electronically in many cases to prevent them from having to travel to Vulcan or Claresholm, and our staff made sure that everyone's land reports were filed in a timely manner."

Once the flood water receded, it took almost a month before AFSC staff and most other High River residents and businesses were finally permitted back into town. AFSC was forced to relocate to a temporary location for several months before finally reopening a new, permanent office in High River in January – just one block from the original site.

"It was a small office with four desks all in one room and a reception area. In spite of not having phone lines, computers, or a fax machine, we were able to provide our clients with full service," says Account Officer Diane Craig. "We worked on cell phones and it took a few more steps to get things done, but it felt good knowing we were able to provide client service that was really quite seamless both during and after the flood."

Not a fence! **The strength of the rushing flood waters was powerful enough to twist this section of railroad track in the community of High River.**



Follow the footprints. **Volunteers from across Alberta came to the aid of High River, including staff from AFSC.**

Helping Businesses Get Back On Their Feet

AFSC moved quickly to help High River businesses get back on their feet after the flood with the announcement of a three-part Alberta Flood Recovery Loan Program on July 22.

"We'd done something similar in Slave Lake after the 2011 fire, and that program had proved very successful in helping businesses recover from that disaster," says Pant. "So we used a similar model to develop a program tailored for businesses and farms in the High River area."

The first part of the program was a low interest loan at four per cent, giving businesses access to working capital to replace assets lost in the flood. "They could also use it to refinance existing debt to lessen their financial burden over the next two years," says Pant.

Clients qualifying for that loan were also enrolled in the Alberta Flood Recovery Interest Rebate Program which pays all interest on their loan for two years.

AFSC also encouraged local banks to participate in the Flood Recovery Loan Programs by guaranteeing up to 75 per cent to a maximum of $1 million on loans made to businesses in the flood-affected area by their financial institution under the program.

"By offering that loan guarantee and the interest rebate, we were telling the businesses and banks in High River that we're confident the local economy will bounce back. We were also letting them know that AFSC will be there supporting them for the long haul," says Pant.

The loan program gave participating High River businesses a much-needed financial boost as they struggled with lost revenue and reconstruction stress, adds Pant.

A High River Success Story

"One retail business owner I assisted was unable to work for weeks after the flood due to the evacuation. His credit card bills were mounting and he didn't know how he'd make his payments. When I met him, he was frustrated and felt like giving up," recalls Pant. "I was able to approve a loan for him in two days, which paid off his credit cards and provided some working capital. Today this gentleman is smiling and laughing when I see him, and he's so busy with his business that he barely has time to talk to me. He's definitely one of our success stories in High River."

The support that AFSC has given to High River businesses impacted by the flood has created an increased awareness of the commercial lending programs that AFSC offers, says Pant. "Most farmers in the area were already well aware of who we are and what we do, but now the businesses and banks in town also understand that we offer lending services to commercial businesses, not just farmers."

AFSC has always provided commercial lending services in High River through an Account Manager from Calgary who would come out once a week, says Craig. "But with the heightened awareness of our lending programs, we now have a full-time loans specialist in addition to the insurance and income stabilization programs we offer."

Celebrating the Rebuilding With Clients

Delighted to now be working in AFSC's new permanent location in High River, Craig says she looks forward to holding a grand re-opening sometime in the near future. "It's important to us to celebrate with our clients the rebuilding that's been happening in High River over the past year. We are excited to be a part of that with the opening of our new office," she says.

Rebuilding High River: A Personal Account

It was deadline day at the AFSC office in High River last year as flood water began engulfing the town on the morning of June 20.

High River office staff Mary Draper-Paulsen and Diane Craig were busy helping farmers file their annual land reports – unaware that the river in town had spilled its banks and the water was getting closer to AFSC's back door.

At around 10:15 am, a co-worker warned them they should leave the building very soon because the water was rising fast. "We thought we still had a few minutes to wrap things up with our clients because there were no visible signs of water near the building," says Craig. "We didn't realize how urgent the situation was. It was nearly 11:00 am before our last client was out the door, our files were locked up, our phones were forwarded to the AFSC Vulcan and Claresholm offices, and we were ready to go."

Trapped By the Flood

It was then that Craig discovered the back alley was already flooded. "I couldn't open the door to get to my vehicle," she says. As they prepared to leave in Draper-Paulsen's car, which was parked out front, two other tenants from the building informed them that the roads leading out of the downtown area were now all blocked by rising water.

"Everyone agreed we'd be safest inside the building on the second floor," says Craig.

As they waited to be rescued, they watched the water outside rushing through the streets and swamping parked vehicles. "It looked like a raging river. We saw one lady get swept away. She was later rescued. We weren't afraid for our lives because we were always safe, but the destruction we witnessed was very upsetting," says Craig.

While they waited, the power in the building went out and cell service was intermittent. "We couldn't phone our families to let them know we were okay. The lack of communication was stressful," says Draper-Paulsen, who lives in Stavely, a community about 40 kms south of High River that was not flooded.

Craig was worried when she couldn't reach her husband by phone. She later found out that while he was safe, he was also waiting to be rescued from the upper level of their flooded home. "Our house backs onto some canals, and my husband told me it looked like a wall of water coming at him," she says. Some of the people who have walkout basements said the water came with such force that it broke windows. "There were people in our neighbourhood who were scared for their lives."

The Rescue

It was around 3 pm when a front-end loader manned by volunteers arrived to rescue Craig and Draper-Paulsen. "We had to climb into the bucket of the front-end loader, which was difficult because it was raining so everything was wet and slippery," says Craig.

"He could only take a few people at a time, and he carried us to a huge dump truck," she recalls. "About 20 people were crowded in the back of the truck – all standing in about a foot and a half of mud, and trying to hang onto each other as we drove to higher ground. We passed people stranded on rooftops who were waiting to be rescued. And as we drove through the downtown area, the waves created by the truck were smashing the windows of surrounding businesses. The destruction was devastating."

Once they reached dry ground, the women were taken via pickup truck to a coffee shop on the edge of town. Their area manager was finally able to get through on Craig's cell phone. "He'd been trying to call to make sure we were okay, and to reassure us not to worry about work for a while, but to take care of ourselves and make sure our families and homes were safe," says Craig.

Craig phoned her husband to let him know she was safe and that she'd made arrangements to stay with her sister in Calgary.

Draper-Paulsen's sons, who were sandbagging in the area, took the women to a nearby restaurant where they waited for Craig's sister to drive out from Calgary. "All I had were the clothes on my back, my purse, and my cell phone," says Craig, who was covered in mud and couldn't go home due to the flooding.

There Was Work to Be Done

Draper-Paulsen decided to return to work the next day to the AFSC office in Claresholm. "Going back to work the next day really helped me," she says. "It allowed me to stay focused because we had a big job to do. We had to make sure all of our High River clients had their paperwork set up properly for that land report deadline. I think it made our clients more comfortable hearing my familiar voice on the phone, and I felt good knowing everyone was looked after."

Craig booked some time off as the town had been evacuated and she was unable to get back into her house, which had thankfully only received damaged to the basement due to a sewer back up. She stayed in Calgary until residents were allowed to return to their homes. She was grateful to Draper-Paulsen and the AFSC staff in Claresholm and Vulcan who pulled together to take care of her High River clients while she was away. "It was comforting knowing I could take the time I needed to look after myself, and my clients weren't going to suffer for it," says Craig.

A Common Bond

When she returned to work, Craig says most clients who stopped by the temporary office were eager to share their experiences about the flood. "I think it helped our clients, as well as ourselves, to be able to talk about what we'd just been through. It's a bond that we share now," she says.

"The flood has done something to this community," adds Craig. "It has shown us how resilient people are. It's made us tougher and stronger," she says, noting there are signs posted around town that read 'High River Strong.'

"It also made us feel even more like a family here at AFSC among our clients and staff after supporting each other through a disaster like this," she says.

Back in Business!

Mary Draper-Paulsen and Diane Craig recently moved the AFSC High River Branch into its new permanent home in the community. This office is one of the first businesses to move back into the community since the devastating flood.

Overview of AFSC Programs

Agriculture Financial Services (AFSC) is in the business of helping Albertans achieve prosperity and build successful businesses. Through strategic risk management and income stability programs for farm clients, and forward thinking lending programs for both urban and rural entrepreneurs, AFSC gives Alberta businesses valuable tools they need to thrive.

AFSC products and services often address existing gaps in the marketplace where similar products are not available on a consistent and reliable basis from other sources. AFSC partners with agricultural producers, agribusiness, and commercial entities to support and advance agricultural development, to create new opportunities for businesses, and to improve the quality of life for rural Albertans.

AFSC lending programs help facilitate the expansion and creation of new and existing businesses engaged in agriculture, agribusiness, value-added, and commercial operations. Programs are flexible and accessible, offering clients up to $5 million in loans that allow them to manage cash flow and accelerate growth.

Alberta farmers are no strangers to risk and AFSC provides them with the stability and assurance they need to better manage uncertainty. AFSC believes in taking smart risks to help businesses that need capital and to help producers who need to ease the burden of risk on their operations. Experience has proven that this approach works. It makes for good business, good government policy, and stronger communities in rural Alberta.

For the past 77 years, AFSC has helped position Alberta as a leader in business risk management programs for both crops and livestock. AFSC continues to play a pivotal role in the development and delivery of insurance, income stabilization, and disaster recovery programs on behalf of the Alberta and Canadian governments under statue and intergovernmental agreements.

AFSC has earned a reputation for designing creative and responsive programs and products that assist Albertans in new and thoughtful ways. It explains why they've long been committed to lending to businesses beyond the family farm. And it's the reason why AFSC's voice continues to be heard as it offers opinions and ideas on the future of income stabilization programs in Canada.

As Alberta's agriculture industry continues to seek opportunities to expand and diversify global export markets, AFSC has the experience and expertise to help Alberta compete. Growing incomes in countries such as Asia are fuelling demand for agricultural products that Albertans can supply. AFSC's business expertise can provide support to Alberta's trade office in the region to facilitate these oversea opportunities and help ensure Albertans become preferred suppliers in these markets.

At the heart of everything, AFSC prides itself on the close client relationships that have been established. AFSC knows the importance of putting clients' needs first, and operates its business with understanding and compassion. The end goal is to provide customers with the products and services they need, allowing them to focus their energy on doing what they do best: to build and grow their businesses.

Growing Forward 2

Alberta signed the Growing Forward 2 (GF2) Framework agreement along with federal, provincial and territorial governments, effective April 1, 2013. GF2 establishes the ongoing direction for the management of agricultural risk in Canada over the next five years. GF2 outlines the direction of the following national programs: AgriInsurance, AgriStability, AgriInvest, AgriRecovery and the Wildlife Damage Compensation Program.

AFSC is responsible for all portions of the multilateral GF2 agreement that govern the management of agriculture risk in Alberta. Alberta Agriculture and Rural Development is responsible for the bilateral portions of the agreement that address the development of the agriculture industry.

Under GF2, changes were made to the AgriStability and AgriInvest Programs, which will potentially reduce benefits to producers commencing with the 2013 Program Year.

Insurance

Producers constantly face the uncertainty of weather, commodity price fluctuations, and global politics. That's why most consider relevant and well-designed business risk management tools to be vital to the sustainability of their operations.

AFSC is proud to be recognized as a national leader in agricultural insurance because it offers some of the most comprehensive insurance programs for crops and livestock in Canada. Through GF2, AgriInsurance coverage provides producers protection against losses caused by designated natural perils on annual and perennial crops. AFSC has also developed additional programs exclusively for Alberta agricultural producers that expands available insurance coverage beyond AgriInsurance.

Program premiums are cost-shared between participating producers and the federal and provincial governments according to a specific formula. In accordance with the multilateral GF2 Framework Agreement, AgriInsurance premiums for most programs are shared among producers, the Government of Canada, and the Government of Alberta in the ratio of 40:36:24 respectively. However, this ratio can vary because premiums for some insurance programs and endorsements are either fully funded by producers, by the Government of Alberta, or cost-shared differently among producers and governments. The ratio for producers, the Government of Canada and the Government of Alberta for the 2013-14 was 40:28:32 respectively.

Production-Based Insurance Products

Production-based insurance is available for most crops grown in Alberta, including cereals, oilseeds, pulses, potatoes, sugar beets, fresh vegetables, forage seed crops (pedigree alfalfa, creeping red fescue and pedigree timothy), processing vegetables, honey, hay and export timothy hay crops, as well as crops grown for silage, swath grazing and greenfeed. Premium rates vary according to the type of crop, the risk area and the coverage level selected. Producers can choose coverage levels of 50, 60, 70, or 80 per cent (90 per cent for sugar beets) based on their individual, long-term average yield for each crop.

Annual Crop Production Insurance provides a production guarantee based on a calculated individual coverage for each client. Producers also have the option of purchasing the Hail Endorsement (HE) and Spring Price Endorsement (SPE) to their crop insurance policies for additional coverage on most crops.

Perennial Crop Production Insurance provides a production guarantee for hay crops based on average historical yields and the coverage option selected. Producers can also choose to purchase the area-based Moisture Deficiency Endorsement (MDE) with Hay Insurance.

Claims are triggered when production falls below the crop's insured coverage amount, and losses are caused by insured natural perils. These include drought, snow, excess moisture, insect infestations, fire caused by lightning, hail, wind, plant disease, frost, and wildlife damage.

The following benefits are included with most production-based insurance products:

- Variable Price Benefit (VPB) pays when there is a production shortfall and the Fall Market Price increases by 10 per cent or more compared to the Spring Insurance Price. For indemnity calculations, the Fall Market Price is subject to a maximum increase of 50 per cent above the Spring Insurance Price. The VPB is not available with Export Timothy Hay Insurance.
- Reseeding Benefit pays for reseeded acres if approved by AFSC prior to reseeding.
- Unseeded Acreage Benefit may apply when land is too wet to seed in the spring.
- Unharvested Acreage Benefit may apply if the producer is unable to harvest crops due to the early onset of winter.

Did you know?

In 2013, AFSC insured more than 14 million acres under annual crop insurance products. This represents 77 per cent of Alberta's total seeded acres. Annual crop insurance, excluding the Straight Hail Insurance Program, provided a total of $4.3 billion in insurance coverage and Alberta producers received $297 million in total indemnity payments.

During the same year, AFSC's perennial crop insurance products insured more than seven million acres across Alberta – 26 per cent of all hay and pasture acres – providing $95 million in total perennial insurance coverage and $4.6 million in total indemnity payments to Alberta producers.

Area-Based Insurance Products

Area-based insurance products offer limited peril coverage. Losses are triggered by events that occur in a specific geographic area. These events can include less-than-normal rainfall, spring soil moisture or heat. Area-based insurance may not directly reflect conditions experienced on the actual crop being insured. Insurance products that provide area-based coverage are Silage Greenfeed Insurance (including crops grown for silage, swath grazing and greenfeed), Corn Heat Unit (CHU) Insurance, Satellite Yield (SAT) Insurance, Moisture Deficiency Insurance (MDI) for pastures, and the Moisture Deficiency Endorsement (MDE) for hay.

Endorsements

AFSC offers additional endorsements to its clients that improve Alberta's risk management programs, and result in the most comprehensive insurance coverage in Canada. These endorsements are funded solely by producers and the Government of Alberta, and are not cost-shared with the federal government. The endorsements respond to specific needs, which in many cases have been identified by producers themselves.

The following endorsements are available for purchase with most crop insurance products, and more than one endorsement may apply to a single product:

- Spring Price Endorsement (SPE) is price protection that triggers when an eligible commodity's Fall Market Price decreases by more than 10 per cent below the Spring Insurance Price. SPE premiums are cost-shared 50:50 between the Government of Alberta and producers. SPE helps producers manage "within-year" price risk, and pays on actual crop production up to the selected coverage level. For indemnity calculations, the Fall Market Price is capped at a maximum decrease of 50 per cent below the Spring Insurance Price.

- Hail Endorsement (HE) provides spot-loss coverage for crop damage caused by hail, accidental fire, or fire by lightning. Coverage is limited to level of coverage selected on a producer's crop insurance policy. HE premiums are significantly lower than Straight Hail premiums. Producers only pay 33 to 37 per cent of the Straight Hail premium rate, depending on the type of crop.

- Moisture Deficiency Endorsement (MDE) is only available with Hay Insurance. Claims trigger when soil moisture and/or accumulated rainfall at a weather station(s) selected by the producer are below 80 per cent of the long-term normal.

Straight Hail Insurance

Straight Hail Insurance provides producers with spot-loss crop protection from hail damage, accidental fire or fire by lightning. Anyone with an interest in an insurable crop grown in Alberta, whether they are a producer, a tenant or a crop share landlord can purchase Straight Hail Insurance. Coverage is available at any time once crops emerge until the crop is harvested and takes effect at noon the next day after a policy is purchased.

AFSC clients who purchase Straight Hail Insurance on-line receive a two per cent premium discount. Producers who Auto-Elect Straight Hail coverage with their crop insurance before April 30 are also eligible to receive a two per cent premium discount.

Losses are paid based on the percentage of hail damage to a crop. The AFSC Straight Hail Insurance program is self-sustaining and fully funded by producer premiums.

Did you know?

During the 2013 crop year AFSC insured 4.9 million acres under Straight Hail Insurance, providing $590 million in hail insurance coverage and $37.8 million in total indemnity payments to eligible producers.

Livestock Price Insurance Programs (LPIP)

AFSC's Livestock Price Insurance Programs resulted from of an industry-driven initiative designed to provide Alberta cattle and hog producers with an easy-to-use, made-in-Alberta risk management tool. These programs offer simple, bankable, and market-driven solutions to manage market price risk – allowing producers to insure a 'floor price' on their cattle and hogs while still allowing them to sell the animals at a higher price if markets rise above their insured price. The products were developed through funding from the Alberta Livestock and Meat Agency (ALMA) with premiums paid by producers and administrative costs paid by the Government of Alberta.

Two different programs are currently available to Alberta producers: the Cattle Price Insurance Program (CPIP) and the Hog Price Insurance Program (HPIP). These livestock price insurance products are designed to meet the needs of the beef and hog production chains, offering producers an effective tool to help manage price risk on their animals. The following products are available:

- CPIP-Fed: Designed to insure cattle being finished in Alberta. Settlement is based on the average Alberta slaughter price. Coverage is available year round with policy lengths ranging from 12 to 36 weeks into the future.
- CPIP-Feeder: Tailored to insure feeder cattle (backgrounders) weighing 750 to 950 pounds at the time of sale. Settlement is based on the average price of an 850 pound steer in Alberta. CPIP-Feeder is available for purchase year round with policy lengths ranging from 12 to 36 weeks into the future.
- CPIP-Calf: Covers the price risk a cow-calf producer faces when selling calves in the fall. Policy purchases are available in the spring for fall settlement. Coverage is based on the average price of a 550 to 650 pound steer in Alberta.
- HPIP: Offers year round price protection for weaner and market hogs. Settlement is derived from an Alberta cash market-based formula. Policy lengths range between two and 10 months.

As part of the Growing Forward 2 Agreement, LPIP was expanded to provide coverage to cattle and hog producers across Western Canada. The Federal Government, along with the provinces of British Columbia, Alberta, Saskatchewan and Manitoba worked together to expand the program, now called the Western Livestock Price Insurance Program. The program was announced on January 24, 2014 at the Canadian Bull Congress, in Camrose, Alberta, and the official launch date was April 8, 2014. This is a four-year pilot program.

Did you know?

During 2013-14, LPIP producers purchased coverage on 347,000 fed cattle, 759,000 feeders, 190,000 calves and 6,700 hogs. LPIP provided $1.77 billion in coverage, generating $23.4 million in premiums and paying indemnities of $2.9 million as of March 31, 2014.

AgriStability (Agriculture Income Stabilization)

Producers face many challenges – from disasters to wild market fluctuations that are completely beyond their control – which necessitates their reliance on income stability programs designed to offer protection for their businesses and to help maintain their appetite for risk and growth.

Producers can experience significant margin declines due to any number of circumstances, such as production shortfalls, falling commodity prices, or rising input costs. AgriStability provides compensation and support for participating producers against a decline in farm margins for their whole farming operation.

AgriStability is funded in accordance with the Growing Forward 2 (GF2) Framework agreement, with the Government of Canada covering 60 per cent of AgriStability claim payments and administrative costs. The Government of Alberta (GOA) funds the remaining 40 per cent.

Eligible participants receive compensation when their Program Margin in a fiscal year declines by more than 30 percent of their Reference Margin. The Reference Margin is limited to the lower of the Olympic reference margin calculation (average of three of the past five years production margins excluding the highest and lowest years), and average historical expenses (using the same three years that the Olympic reference margin calculation selected).

Under the program, allowable income includes the proceeds from agricultural commodity sales and the proceeds from production insurance. Allowable expenses include commodity purchases, along with direct input costs incurred in the farming operation. All production margins are adjusted for changes in inventories along with changes in accounts payable, and receivable and purchased inputs. All historical expenses, used when calculating the Reference Margin limit, are adjusted for accounts payable and purchased inputs.

Should farming operations undergo a structural change, such as a new ownership, size of operation, or farming practices, the participant's production margins during the Reference Period will be adjusted to make the Reference Margins comparable to the Current Program Year Margin.

In order to participate, eligible applicants must report farming income (or losses) in Canada for income tax purposes. They must also have a minimum of six months continuous farming activity, along with the completion of a production cycle. Enrolment is required by April 30 of the Program Year and participants must remit an Enrolment Fee.

Participants who experience a margin decline during a production year can apply for an interim advance within 90 days of their fiscal year end and receive 50 per cent of their estimated benefit. A final application is required to be filed for that year and any overpayment must be repaid.

Did you know?

As of March 31, 2014, 15,550 AgriStability 2012 claims were processed with payments totaling $34 million (2011: 21,025 claims with payments totaling $49 million). There were 2,275 claims from the 2012 Program Year still being processed. Producers participating in the 2012 AgriStability represent 73 per cent (2011: 81 per cent) of Alberta's farm cash receipts.

Did you know?

As of March 31, 2014, $6 million has been paid to producers for crop damage caused by wildlife for the 2013 crop year.

AgriInvest

AgriInvest is a matching-deposit based program for producers facing margin declines that is administered by the federal government and assisted by AFSC as necessary. AgriInvest funds, including the government contribution, can be withdrawn at any time with no pre-existing withdrawal requirements. The program is simple, responsive, predictable, and bankable and allows participants to easily predict government contributions to producer-managed accounts each year. AgriInvest accounts are opened at a participating financial institution of a producer's choice. These accounts build as participants make deposits based on a percentage of Allowable Net Sales (ANS), and as matching contributions are received from federal, provincial, and territorial governments. Eligible producers have a deadline of 90 days from the date of notification to make a deposit to AgriInvest accounts.

Under the GF2 Program Guidelines, federal and provincial governments will match producers' contributions up to one per cent of their ANS, subject to eligibility, to a maximum of $15,000 per year. Producers are able to contribute up to 100 per cent of their ANS annually and carry a maximum account balance of 400 per cent of the three year average ANS.

The matching government contributions and administrative costs are shared between the governments of Canada and Alberta in a 60:40 ratio.

Note: The included financial statements reflect only the Government of Alberta share of contribution and claim payments.

AgriRecovery

AgriRecovery is part of the GF2 Framework agreement, guiding federal and provincial governments in determining how and when to provide timely assistance to producers impacted by disasters when existing programs may not offer coverage. AgriRecovery is funded 60 per cent by the Government of Canada and 40 per cent by the Government of Alberta.

Once a disaster has been declared, the federal and provincial governments assess the situation, including the amount of funding available from existing programs, and develop an appropriate response. Programs vary depending on the individual disaster. As the delivery agent for AgriRecovery in Alberta, AFSC works with the federal and provincial governments, and is involved in the disaster assessment and any initiative development phases as necessary. The Government of Alberta allocates no budget dollars to the AgriRecovery framework; disaster funding requires Treasury Board and Cabinet approval for each response.

During the fiscal year ending March 31, 2014, no AgriRecovery programs were announced.

Wildlife Damage Compensation Program

AFSC compensates producers on behalf of the provincial and federal governments for crop damage caused by wildlife through the Wildlife Damage Compensation Program (WDCP). The WDCP provides the following initiatives that compensate producers when crops are damaged by protected species of wildlife and waterfowl:

- Spot-loss coverage for unharvested crops damaged by waterfowl, big game animals or upland game birds. The program applies to all commercially grown annual crops and hay that can be insured under Production and Straight Hail Insurance programs. Crops grown for pasture or cut for grazing are not eligible. An inspection fee of $25 per section of land (640 acres or a portion thereof) is required.
- Excreta Market Loss-Cleaning compensates producers for reduced market value or for cleaning grain due to wildlife excreta.
- Wildlife damage to stacked hay and/or silage/haylage stored in pits and tubes.

The WDCP is available nationally, and is cost shared in Alberta by the federal and provincial governments. It compensates a maximum of 80 per cent of losses incurred. The remaining 20 per cent of losses are covered exclusively by the Government of Alberta. This results in the Government of Canada funding 48 per cent of indemnities, and the provincial government funding the remaining 52 per cent. The Government of Canada also funds 60 per cent of the administrative and inspection costs, and the Government of Alberta funds the remaining 40 per cent.

Lending - Loans and Guarantees

For more than 40 years AFSC has supported primary agricultural producers, as well as commercial and agribusinesses in Alberta through lending products that address market gaps and meet the needs of Albertans. In doing so, AFSC supports rural development by helping to maintain a profitable agriculture sector in Alberta and helping stimulate health rural communities.

> **Did you know?**
>
> In the past fiscal year, AFSC had a total outstanding loan portfolio of $1.96 billion and over 11,000 lending clients.

Capital is essential for producers at two critical points in their business' growth: when they are starting up and when they have become successful enough to expand. If customers can't find capital when they need it, all Albertans potentially lose the benefit of entrepreneurial creativity and drive. AFSC partners with customers to transform what many conventional lenders consider to be high risk into smart risk.

AFSC offers loans, loan guarantees, and capital sourcing services to farms, agribusinesses, value-added enterprises and commercial businesses. Flexible terms and long-term fixed interest rates provide stability for farm and business planning and help operators manage future cash flows in an industry where income and expenses can be volatile. AFSC loans are generally secured by land, buildings, and equipment, with various repayment schedules offered. AFSC clients can prepay or pay out any loan without incurring a penalty.

AFSC lending products, particularly the Alberta Farm Loan Program, were developed to assist producers in obtaining required capital to start, develop, and grow their operations. Agricultural producers, like any business, face many challenges to their profitability. AFSC is committed to supporting its clients' success through its lending programs.

With loans of up to $5 million available to producers and businesses, AFSC clients can choose the right financial option to suit their needs.

- Alberta Farm Loan Program assists with working capital, land and equipment purchases, or existing debt refinancing. The Beginning Farmer Incentive helps new farmers get started by reducing borrowing costs by an additional 1.5 per cent for the first five years of the loan.
- Revolving Loan Program meets the needs of Alberta's primary producers by enabling borrowing through an on-line, self-selecting, reusable loan facility that reduces the need for repeated transactions and provides faster service. The program offers fixed-rate loans for terms of up to three years. Loans are renewable upon expiry.
- Value-Added and Agribusiness Program provides assistance to service firms supporting agriculture and to agriculture-focused, value-added enterprises with fixed-rate loans to acquire land or equipment, to refinance debt or to provide working capital.
- Commercial Loan Program assists both rural and urban commercial businesses in growing their operations by providing fixed-rate loans.
- Specific Loan Guarantee Program provides guarantees to other lenders in support of operating loans to facilitate a client's access to working capital.

> **Did you know?**
>
> Over the past six fiscal years, AFSC's annual lending approvals have demonstrated consistent growth with $280 million in loans approved in 2008, and $551 million in loans approved in 2013-14.

- Alberta Flood Recovery Loan Guarantee Program was announced in July of 2013 in response to small businesses and agricultural producers impacted by flooding in Alberta. The program ensures capital is consistently available to those Alberta businesses directly impacted by the June 2013 floods so they can recover, rebuild and re-establish their business operations. Lenders can apply to AFSC for a Specific Guarantee on loans up to a maximum $1 million for affected businesses. The province extended the deadline to apply for flood recovery programs to June 30, 2014.

- AFSC Alberta Flood Recovery Loan Program was announced in July of 2013 in response to Alberta businesses and agricultural producers affected by flooding. The program provides an alternate, consistent, and reasonable source of loan capital to viable businesses that were directly affected by the June 2013 floods. The goal of the program is to help enable these businesses to recover, rebuild, and re-establish their operations. The program offers one-year, renewable term loans, up to a maximum of $1 million to eligible businesses. The deadline to apply for AFSC Alberta Flood Recovery programs was extended to June 30, 2014.

- Alberta Flood Recovery Interest Rebate Program was announced in July of 2013 in response to small businesses and agricultural producers impacted by flooding in Alberta. Recognizing that there are extraordinary and unexpected costs associated with flood recovery efforts, the Alberta Flood Recovery Interest Rebate Program provides financial relief through an interest rebate to Alberta businesses that were directly affected and damaged by flooding. Rebates are directly remitted to the applicant to assist with the recovery, rebuilding and re-establishing of their business operations. The province extended the deadline to apply for flood recovery programs to June 30, 2014.

Clients are offered the choice of various fixed and renewable rates and terms for repayment of AFSC loans over a maximum period of 20 years. The interest rate can be fixed over the entire life of the loan, providing long-term or renewable short-term stability and the resources to manage cash flow risk. AFSC lending programs are funded by interest and fee revenue generated from borrowers, and through contributions received from the Government of Alberta.

The decisions AFSC makes about new products, new industries, or new markets are all based on one essential question: Will this generate growth and rural economic development in Alberta? It's the same question AFSC asks all of its customers across Alberta: How are you growing?

Did you know?

By setting leveraging targets, AFSC maximizes the economic impact of the loans provided. More than $551 million in loans delivered by AFSC across Alberta in 2013-14 were leveraged to generate $756 million in economic activity.

Slave Lake: Three Years After

AFSC Disaster Assistance Benefit Helped Community Bounce Back

Three years after massive wildfires devastated Slave Lake – burning hundreds of homes and forcing residents to evacuate the town for several days – any visible scars left by the fire have now almost completely disappeared.

"It's amazing to see how quickly the community has rebounded and rebuilt itself," says Adrian MacDonald, an Account Executive with AFSC in Northern Alberta. "The town has recovered almost to the point where you wouldn't know there had been a fire."

It was a very different picture three years ago, says Simerjeet Sylvain, Area Manager of Branch Operations in AFSC's Northern Region. The fire destroyed about one-third of Slave Lake, including the town hall, library, and some businesses. "However, today when we drive through town, we see new buildings, a bustling community, renewed optimism, and a growing economy," she says.

More than $100 Million in Loans Issued

Sylvain says the AFSC Slave Lake Disaster Assistance Benefit played an important role in helping the community bounce back from the fire. "We injected more than $100 million into the Slave Lake business community through interest-free loans with the Disaster Assistance Benefit, and you can definitely see the impact today," she says.

It took only five days for AFSC to develop the Disaster Assistance Benefit and obtain funding approval from the provincial government after the fire. There was good reason for such urgency, says MacDonald.

"One of the biggest concerns facing Slave Lake back then was that people would move away – that businesses and employees would simply leave their burnt out homes and look for jobs in other communities," says MacDonald.

"There was so much uncertainty," he adds. "Local businesses didn't know how long they'd be shut down with no income, or if there would be enough people left in Slave Lake for their business to survive. Many were unsure if they should even try to rebuild or rejuvenate their business after the fire," he explains. Many business owners were also coping with the loss of their own homes while struggling with the fire's impact on their business, says MacDonald.

Kick-Starting the Economy

"The goal of our Disaster Assistance Benefit was to help kick-start the local economy to make sure people came back to rebuild their homes – that there would be jobs to come back to," says MacDonald. "We wanted to help businesses cope with the lost revenue many suffered while they were shut down after the fire and while residents of Slave Lake were deciding what do with their lives."

The Slave Lake Disaster Assistance Benefit offered interest-free loans of up to $5 million to businesses affected by the fire. "We based it on our existing Commercial and Value-Added Loan Programs and offered zero interest for two years and an option to defer payments for up to two years," explains MacDonald.

Too Good to Be True?

But the terms of the Disaster Assistance Benefit loans sounded too good to be true to many Slave Lake business owners, says Sylvain. "Over and over, individuals who received our flyer in the mail threw it out. They couldn't believe what we were offering. They thought it was a hoax," says Sylvain.

"The problem was many Slave Lake businesses had never heard of AFSC before," she explains, "because Slave Lake had been serviced remotely from other AFSC offices before the fire."

Gerry Allarie was suspicious of the Disaster Assistance Benefit loans at first. "I threw their mailer in the garbage thinking it was a scam until a business acquaintance told me he had phoned about it, and it was real," says Allarie, who owns four businesses in Slave Lake and is a former mayor of the town.

Allarie and a few other business owners then set up a meeting with AFSC to inquire about the Disaster Assistance Benefit. "All the way through the meeting, we kept saying 'what's the catch? What's the catch?' until finally we realized that AFSC really was there to offer some honest to goodness support for the business community," says Allarie.

Once word started to spread, participation in the Disaster Assistance Benefit loans snowballed. "It was much too busy for one person to manage, so AFSC account managers across the province offered support and wrote most of the loans," says MacDonald.

162 New Loans – A Huge Success

A total of 162 new loans were issued and seven existing business loans were refinanced through the Slave Lake Disaster Assistance Benefit. Businesses that took advantage of the loans included trucking companies, hotels, small retail outlets, service industries, forestry companies, and restaurants. "People often think of agriculture when they think of AFSC but we've always provided Commercial Loans," says MacDonald. "That was the intent of this Disaster Assistance Benefit right from the start – to assist commercial businesses in Slave Lake," he explains.

The Disaster Assistance Benefit was a huge success, says Allarie, "because it helped Slave Lake recover quickly from a disaster that could easily have left it a ghost town. Slave Lake is three hours to Edmonton and Grande Prairie, so if businesses like grocery stores had decided not to reopen after the fire, the town couldn't have functioned anymore. We didn't lose any of those services, and AFSC played a role in that," he says.

Allarie accessed $2.5 million through the Disaster Assistance Benefit to rebuild a commercial building that he'd purchased just two days before the fire burned it to the ground. "We still have to pay off those loans, but that two-year deferment on payments and no interest for two years stopped the clock for a lot of businesses," he says. "It let us regroup, refocus, and carry on. People I know who used the loans have stronger businesses today than they did pre-fire."

AFSC is well known among the Slave Lake business community now, and recently opened a full-time office in town. "We've become part of the community and we want to continue working with the businesses we've built relationships with as they grow and expand, and as new ones start up," says Sylvain. "And as more businesses return to Slave Lake in the months and years to come, we plan to be there for them, too."

Slave Lake: AFSC Loan Program

'The loan program helped people who felt like they were never going to recover.'

Bobby Halliday says she probably would have left Slave Lake in 2011 if she hadn't been offered a loan through AFSC's Disaster Assistance Benefit Program.

Halliday, whose home was badly damaged by smoke during the 2011 fire, had seriously considered three job offers in communities located far away from Slave Lake – but the AFSC loan gave her reason to stay. "I was working for another accountant in town at that time. The loan gave me the working capital to buy my own firm. I bought an existing accounting firm and was also able to purchase a building to operate my business from," says Halliday.

She borrowed $300,000 through the AFSC program at zero per cent interest and no payments for two years. "It gave me the advantage of owning the building for two full years, renovating it, and establishing my business, before having to start making payments on the loan," she says. "If I'd had to go to the bank, get a loan, pay interest, and start making payments immediately, starting up my business would have been a lot more challenging."

As Halliday set up her new company – Bobby and Associates Professional Accounting Services Inc. – she also had to cope with the damage to her home. "I thought I'd lost my house for five days after the fire, but it was just very badly damaged," she says. "My daughter is asthmatic so my kids and I had to live in a trailer for two months because the house was full of smoke and the roof had to be replaced."

Light at the End of a Tunnel

Many of her clients were in the same situation and Halliday began recommending the AFSC Disaster Assistance Benefit Program to them. "A lot of people needed extra help, and refinancing with AFSC gave them some breathing room. They still made payments but they got the interest relief," she says. "The loan program helped people who felt like they were never going to recover. It helped them finally see light at the end of a very dark tunnel."

Halliday helped roughly 40 business clients access loans through AFSC. "The majority of the loans were $100,000 or less," she says. "Some businesses replaced or purchased new

Slave Lake: Flying High with AFSC

Like many business owners in the Slave Lake area, George Kelham was skeptical when he first saw a newspaper ad promoting the AFSC Slave Lake Disaster Assistance Benefit Program back in 2011 – just weeks after the big fire that destroyed a third of the town.

"I had never heard of AFSC before, so I initially thought the loan program sounded too good to be true," says Kelham, who owns Slave Lake Helicopters, which services companies in the utilities, oil and gas, and forestry sectors in northern Alberta.

The Disaster Assistance Benefit Program was designed to help Slave Lake businesses like Kelham's recover from the economic impact of the fire by offering interest-free loans for a two-year period, and in some cases, deferring payments on the loans for two years.

Kelham says Slave Lake's business economy had been fairly stagnant since the economic downturn in 2008, and the fire was just another blow. "A lot of people lost businesses and homes and possessions, and when you have someone like AFSC offering to help you through rebuilding a business, I think it's very important," says Kelham.

Through the program, Kelham financed the purchase of a new helicopter for his fleet, and re-financed existing loans that helped him pay down debt much faster than he would have been able to otherwise. "Every payment went to principal which dramatically reduced our liability," he says. "It certainly helped us improve cash flow and gain equity in our company, which allows us to borrow more money today to expand our business and possibly hire more people," says Kelham.

Helping Businesses Build Stronger Futures

"We've recently bought some land next door and plan to put up a new building and possibly buy another helicopter down the road," says Kelham. "Without the interest free loans our business wouldn't be nearly as strong as it is now. It gave us the help we needed when we needed it most."

Kelham and his wife – and business partner – Debbie, were regarded as essential personnel and stayed during the fire, which came uncomfortably close to their home and business. "There was in excess of $100,000 damage to our house.

Keeps Businesses in Slave Lake

equipment. Some were refinancing to get them to a better spot. One client took out a loan of close to $1 million. He used some of it to pay his 16 employees the wages they'd lost over the two weeks they were evacuated from the community. Two of them lost their homes and he gave them extra money. He felt it was the right thing to do, and it kept his employees from leaving town after the fire."

Now that AFSC has a permanent office in Slave Lake, Halliday is continuing to let her business clients know about its Commercial and Value-Added Loan Programs. "It's really good that they're here because AFSC is another lending option that we can utilize for our existing clients and for some start-up businesses," she says.

Halliday, whose accounting firm started out with just one employee, has now expanded to 12. She credits AFSC for helping her to stay in the community and successfully growing her business. Without the AFSC Disaster Assistance Benefit Program, Halliday says the overall business community and economy in Slave Lake wouldn't be as strong as it is today. "I'm glad that AFSC stepped up and helped the businesses here at such a crucial time. I think our town would not be the same without it."

Thankfully it didn't burn any of our company buildings or damage any of our helicopters," he says. "We were worried because we have 100,000 litres of jet fuel sitting here, and the fire stopped just half a mile from our structures."

Kelham, who has been flying for 34 years, was so busy helping to fight the fire he wasn't able to protect his own home, which was severely damaged by the fire. "Looking after your own building wasn't on the table – it was looking after everything else," he says. "We'd lived in our house for 12 years. It was a beautiful property. No one wants to watch the devastation that fire can cause. It was a tough year dealing with the repairs to the house and property."

Kelham says the AFSC loans helped ease some of the stress. "It was a great gift to have interest free money – it relieved a lot of pressure," he says. "It gave us hope that we'll be in business this year and next and for the years ahead. AFSC was one of the best things that happened to my business."

Management Discussion and Analysis

We are pleased to share management's discussion and analysis, which offers a detailed look at AFSC's 2013-14 operations in support of our industry stakeholders.

The statistical information contained in this section reflects actual transactions up to March 31, 2014. In some instances the information contained in this section could be different from figures used in the financial statements because the latter includes accounting adjustments such as accruals.

Alberta Agriculture Industry 2013-14

Annual Crop Conditions

Growing conditions were very favourable throughout the province in 2013. Seeding got underway a little later than normal due to a cool, wet spring, which delayed soil dry down. Despite the slow start, seeding was 66 per cent completed by May 21 and completed by early June, on par with the 10-year provincial average. Emergence was excellent based upon ideal surface soil moisture conditions in all regions of the province.

In early July, crop development was advancing favourably with 88 per cent of all crops in the province rated in good to excellent condition as of July 16th. In August, warm temperatures combined with precipitation continued to benefit crop development. Warm weather in late August and early September advanced crop maturity and allowed harvest to get underway. Producers reported high yields and good quality. By September 24, harvest was 71 per cent complete, as compared to the five-year average of 48 per cent.

Harvest was virtually complete by mid-October due to the ongoing warm, dry fall. Crop yields throughout the province were very good at 10 to 30 per cent above their 10-year averages, and quality was above average.

Perennial Crop Conditions

Forage crops got off to a good start based on favourable moisture conditions. In late May, provincial pastures were rated at 76 per cent in good or excellent condition. Throughout the summer, pasture condition ratings remained around 80 per cent good/excellent. In September, pasture ratings declined to 65 per cent good/excellent due to the warm, dry fall producers experienced.

Hay yields were above average in 2013 due to favourable moisture conditions throughout the season in all regions. However, quality of the first-cut hay crop was below average due to over maturity caused by delayed cutting and delayed baling due to frequent showers. The quality of the second-cut hay crop was excellent.

Livestock

Alberta continues to dramatically lead the rest of the country in total herd size. This province's inventories, at 5.1 million head, account for 42 per cent of total Canadian cattle inventories as of January 2014. In 2013, while the national cow herd saw a decrease in numbers of cattle and calves, Alberta saw an increase of 0.5 per cent. Alternatively, both the national and Alberta inventories for hogs rose in 2013, with Alberta seeing an increase of 1.8 per cent from January 1, 2013.

The Alberta livestock industry continued the trend from 2012 with very strong cattle prices continuing in 2013, reinforcing the message that the livestock industry remains strong. Cow/calf producers saw profitable prices. Background and feedlot operations also saw strong demand for their cattle, which was further supported in high inventory values in 2013. Retail prices continued to climb throughout the year, which carried over into the inventory pricing due to tight supplies industry wide. Hog prices in Alberta were still subject to the volatility seen in 2012, but due to declining feed costs and inventory value, there was an increase in total Alberta hog inventories.

Did you know?

Livestock Price Insurance Programs delivered $1.77 billion of coverage to Alberta livestock producers in 2013-14, generating $23.4 million in premiums, and paying indemnities of $2.9 million as of March 31, 2014.

Lending

Farm lending volumes increased again in 2013-14 as a result of producers remaining optimistic in most agricultural sectors. Many producers continue to take advantage of the customized loan programs and flexible repayment options offered by AFSC. Strong agricultural commodity prices in the first half of the year, along with increased oilfield activity, spurred confidence in the economy. Producers looking to expand their land base to gain efficiencies also drove increases in farmland values. AFSC's Alberta Farm Loan Program continues to provide access to capital for Alberta producers wanting to start, develop, or grow their business.

Farmland values increased on average by 12.9 per cent in Alberta in 2013, following growth of 13.3 per cent in 2012 and 8.7 per cent in 2011.

Participation in AFSC's Value-Added and Agribusiness (VAAP) loan program increased as a result of Alberta entrepreneurs continuing to be innovative and diversifying beyond primary production.

Assistance for Alberta's Agriculture Sector in 2013-14

AFSC supported Alberta producers who were dealing with varied conditions in 2013-14 by offering broad range of products and services.

Program payments to Alberta producers for the 2013 calendar year are expected to decrease 10 per cent to $693.9 million, largely due to good production and fewer payments under crop and hail insurance (down 7.6 per cent). Farm Cash Receipts are expected to decrease marginally by 1.6 per cent compared to 2012, falling slightly to $11.8 billion compared to $12 billion in 2012.

AgriStability

AgriStability claims are normally processed on a one-year lag basis. In the 2012 production year, commodity prices for grains, oilseeds and slaughter cattle were exceptionally strong due to drought in the United States as well as tightening global supply. Provincial farm cash receipts were the highest on record, despite the strong Canadian dollar and rising input costs. This resulted in benefits being provided to only six per cent of participants for the 2012 claim year, as of March 31, 2014. This compares with 10 per cent of participants receiving benefits for the 2011 claim year. Total 2012 claim payments for the 17,825 AgriStability participants are forecasted to be $51 million. Early forecasts for 2013 claim payments are estimated at $72 million, consistent with similar above-average crop yields, rising commodity prices, and higher livestock prices and feed costs seen over the previous two years. Program changes related to the new GF2 Framework agreement are also factored into the 2013 claim payment estimates.

While program participation continues to decline based on the number of applications received, that decline isn't as prevalent when the percentage of farm cash receipts covered under the AgriStability program is taken into consideration. As of March 31, 2014, producers participating in the 2012 AgriStability program represent 73 per cent (2011: 81 per cent) of Alberta's farm cash receipts.

In addition, the average support level for producers has increased from $152,248 in 2011 to $185,109 in 2012. This is the result of several years of stable, high commodity prices. It is also partially due to some farms becoming larger as producers retire and exit the industry, or reorganize or consolidate their farming operations.

Income Stabilization – AgriStability (All data as at March 31, 2014 - Including Alberta Initiatives)

Claim Year	Number of Claims Processed	Support Level $,000	Average Support Level $	Number of Claims with Payment	Total Payments $,000	Average Payment $
2012	15,550*	2,358,469	185,109	1,102	33,544	30,439
2011	21,025	2,725,386	152,248	2,201	48,515	22,042

** 15,550 claims processed out of 17,825 total 2012 AgriStability claims, as of March 31, 2014.*

AgriInvest

For the 2012 program year, 33,765 Alberta producers, with a combined eligible Allowable Net Sales (ANS) of $6.3 billion, participated in AgriInvest. Of that number, 29,080 were eligible to deposit 1.5 per cent of their ANS, subject to a maximum deposit of $22,500 per producer to be matched by the Governments of Canada and Alberta. A total of 20,854 producers made their 2012 program year AgriInvest deposits at a financial institution as of March 30, 2014.

Of the $86.9 million in potential deposits, only $76.3 million was actually deposited in Alberta for the 2011 program year, which left approximately 12.2 per cent of funds with government. For the 2012 program year, of the $94.8 million in potential deposits, only $72.3 million has been deposited to date. Approximately 24 per cent of funds are not yet deposited, but many participants are still within deadlines to contribute.

Producers can withdraw funds at any time to cover margin declines or to invest in activities that will improve farm income. Alberta producers have withdrawn $290 million in government funds since AgriInvest began in 2007. As of March 30, 2014, a total of 32,248 producers had $480 million on deposit in their AgriInvest accounts. Alberta cost shares matching government contributions to producer accounts at a 40 per cent level, with the financial statements herein reflecting only the Government of Alberta share of contributions and administrative costs.

AgriInvest					
Year	Number of Producers Eligible	Total Value of Maximum Matchable Deposits $,000	Number of producers depositing	Total Value of Contributions by Producer $,000	Total Value of Contributions by Government $,000
2012	29,080	94,846	20,854	72,354	72,354
2011	30,175	86,923	22,665	76,304	76,304

AgriInsurance

Annual Crops

AFSC's annual crop insurance and endorsements are offered to Alberta's producers to help protect them from financial losses due to circumstances beyond their control. 2013 was a productive year for Alberta producers. A cool, wet spring gave way to good or excellent growing conditions across much of the province. Even with near-record hail losses, the third highest on record, above-average yields were harvested provincially resulting in the lowest loss-to-premium ratio in the past 14 years.

Unfortunately, commodity prices on many crops fell by up to 25 per cent in the fall. The price decline triggered the Spring Price Endorsement on a number of crops including barley, canola, and chickpeas. Producers were compensated for the difference between the Spring Insurance Price and the calculated Fall Market Price on their total production for individual crops, up to the coverage level elected.

In the Southern Alberta, bean prices rallied in the fall and the Fall Market Price increased between 13 per cent and 48 per cent. As that increase was more than 10 per cent over the Spring Insurance Price, the Variable Price Benefit triggered and production and hail losses for bean crops were paid at the higher Fall Market Price.

AgriInsurance Products for annual crops include: Crop, Silage Greenfeed, Corn Heat Unit, Processing Vegetables, Honey, and Bee Overwintering Insurance.

AgriInsurance for Annual Crops

Year	Contracts	Acres ,000	Premium $,000	Liability $,000	Contracts with Indemnity	Indemnity $,000	Loss/Premium %
2013	12,660	14,682	488,916	4,270,367	1,963	37,670	7.7
2012	12,730	14,261	429,679	4,547,037	4,437	153,824	35.8

Did you know?

AFSC covered $5 billion of crop risk across Alberta in 2013, collecting $827.6 million in crop insurance premiums.

Did you know?

AFSC administered more than 18,000 crop insurance contracts in 2013, covering in excess of 21 million acres.

Perennial Crops

Total insured perennial acres dropped by 500,000 acres in 2013 from 2012. Though hay yields were above average, the quality of the first-cut hay crop was below average due to delays in harvesting caused by frequent showers. Pasture conditions were rated good to excellent throughout the summer and remained good into the fall.

Perennial insurance programs include Hay and Moisture Deficiency Endorsement, Export Timothy Hay, Satellite Yield, and Moisture Deficiency Insurance for pasture.

AgriInsurance for Perennial Crops							
Year	Contracts	Acres ,000	Premium $,000	Liability $,000	Contracts with Indemnity	Indemnity $,000	Loss/Premium %
2013	5,729	7,012	17,758	95,086	1,685	4,560	25.7
2012	6,384	7,486	20,990	152,347	949	3,821	18.2

Spring Price Endorsement (SPE)

Spring Insurance Prices were high in 2013 relative to historical prices. Producers reflected their skepticism that prices would remain high by purchasing SPE on additional eligible crops. Prices did drop significantly from spring to fall to trigger an SPE claim on a number of crops. The Spring Price Endorsement triggered on a number of the major crops including soft white spring wheat, durum wheat, barley, canola, field peas and chickpeas.

Spring Price Endorsement (SPE)							
Year	Contracts	Acres ,000	Premium $,000	Risk $,000	Contracts with Indemnity	Indemnity $,000	Loss/Premium %
2013	1,582	1,210	27,014	371,494	1,267	39,576	146.5
2012	1,030	581	10,878	196,387	126	2,350	21.6

Hail Endorsement and Straight Hail Insurance

Total acres insured under the Hail Endorsement and Straight Hail Insurance programs in 2013 were slightly lower than 2012 levels. In 2013, Alberta experienced the third highest hail loss in terms of dollars paid out by hail insurance. The hardest hit area was southern Alberta with 60 per cent of the total dollar loss from hail. In June there were hailstorms reported on 23 out of 30 days. In July storms were reported on 26 out of 31 days, and in August storms were reported on 23 out of 30 days. The loss-to-premium ratio was down significantly, while the total indemnity payable remained high at $257 million.

Hail Endorsement - Subsidized premium and linked with AgriInsurance programs							
Year	Contracts	Acres ,000	Premium $,000	Liability $,000	Contracts with Indemnity	Indemnity $,000	Loss/Premium %
2013	11,039	13,093	246,925	3,875,969	3,793	219,694	89.0
2012	10,944	12,544	201,019	4,094,675	4,670	391,342	194.7

Straight Hail Insurance - 100% Producer funded premiums							
Year	Contracts	Acres ,000	Premium $,000	Liability $,000	Contracts with Indemnity	Indemnity $,000	Loss/Premium %
2013	4,895	4,944	47,002	589,830	1,610	37,761	80.3
2012	5,815	5,588	47,177	625,900	2,228	58,519	124.0

Livestock Price Insurance Products (LPIP)

(Self-sustainable and fully funded by producer premiums)

It was a promising year for Alberta livestock producers in 2013 as strong retail demand and short supplies increased prices, but volatility was ever present. To combat this, producers utilized the LPIP suite of risk management programs to help protect their bottom line.

There was a significant increase in total policies sold in 2013 over 2012. Indemnity payments in 2012, due to market fluctuations, indicated that the insurance policies performed as intended, generating increased interest among producers in 2013.

Continuing to make producers aware of the benefits of the LPIP suite of programs remains a high priority for AFSC. The 2013 marketing plan saw AFSC staff attend numerous producer meetings, which increased awareness of the programs and their use of LPIP as a tool to manage price risk. The ever increasing volatility of the futures and cash markets for livestock, coupled with increased awareness of LPIP programs through education and marketing, contributed to greatly increased producer participation in 2013.

Livestock Price Insurance Programs (LPIP) – at March 31, 2014					
LPIP 2013-14	Policies	Premium $,000	Risk $,000	Indemnity $,000	Loss/ Premium %
CPIP Fed	1,004	5,021	566,346	1,756	35
CPIP Feeder	3,454	14,917	1,005,627	1,122	8
CPIP Calf	1,528	3,454	196,916	0	0
HPIP	16	42	1,347	2	5
Totals	6,002	23,434	1,770,236	2,880	12
LPIP 2012-13	Policies	Premium $,000	Risk $,000	Indemnity $,000	Loss/Premi-um %
CPIP Fed	289	1,750	175,951	4,816	275
CPIP Feeder	1,003	6,240	385,940	17,605	282
CPIP Calf	273	489	35,948	946	193
HPIP	6	11	311	8	73
Totals	1,571	8,490	598,150	23,375	275
LPIP 2011-12	Policies	Premium $,000	Risk $,000	Indemnity $,000	Loss/ Premium %
CPIP Fed	102	753	38,496	2,084	277
CPIP Feeder	117	358	21,006	239	67
CPIP Calf	33	51	2,768	32	63
HPIP	6	10	323	0	0
Totals	258	1,172	62,593	2,355	201
LPIP 2010-11	Policies	Premium $,000	Risk $,000	Indemnity $,000	Loss/ Premium %
CPIP Fed	185	1,235	62,800	665	54
CPIP Feeder	5	11	382	0	0
CPIP Calf	2	3	83	0	0
Totals	192	1,249	63,265	665	53
LPIP 2009-10	Policies	Premium $,000	Risk $000	Indemnity $,000	Loss/ Premium %
CPIP Fed	505	2,502	147,669	93	4

Wildlife/Waterfowl Damage Compensation

From 2012 to 2013, total payments and claim numbers under the Wildlife Damage Compensation Program increased slightly in dollar value, while the actual number of claims reduced by 24 per cent. As in 2012, the northern part of Alberta was the area most affected in 2013.

(Data Includes claims for Wildlife Excreta / Market Loss)

Wildlife losses - 100% government funded (No premium)						
Year	Wildlife		Waterfowl		Total	
	# of Claims	Indemnity $,000	# of Claims	Indemnity $,000	# of Claims	Indemnity $,000
2013	515	5,549	86	450	601	5,999
2012	672	5,028	115	473	787	5,501

Lending

AFSC enjoyed another successful year with its lending products. New direct loans approved totaled more than $551 million for the year ending March 31, 2014, which is similar to last year's approvals. AFSC assisted more than 2,100 Alberta businesses with new loans. This lending facilitated an investment of more than $755 million in the province's agriculture, value-added, and rural economies.

Did you know?

AFSC provided new loans to assist 2,103 Alberta clients in 2013-14. The vast majority were rural businesses.

In its continued commitment to provide access to capital for Albertans and to recognize the unique needs of its borrowers, AFSC maintained a strong level of lending to primary producers, the agri-industry, and value-added sectors in 2013-14.

In March 2012 the Government of Alberta announced a new Revolving Loan Program (RLP) in response to client demand. The RLP offers eligible Alberta agriculture producers access to a new and contemporary delivery method for accessing debt capital to develop, expand, and grow their farming operations. More than $33 million in RLP loans were approved by March 31, 2014, which exceeded last year's approvals.

Did you know?

In 2013-14, AFSC lending arrears totaled only 1.6 per cent based on the value of the entire portfolio.

The total amount of investment leveraged by loans confirms AFSC's outstanding contribution and commitment to the growth of Alberta and its economy. For the fiscal year ending March 31, 2014, AFSC's lending contribution resulted in leveraging more than $755 million in total project dollars.

In 2013-14, AFSC's lending portfolio climbed to over $1.9 billion, as compared to $1.8 billion the previous year. AFSC's loan portfolio continues to have comparatively low levels of arrears and allowances for doubtful accounts.

Under its various programs, AFSC authorized loans leveraging $537 million to agri-industry (farm business and agri-business enterprises). These results further solidify the fact that AFSC loan programs continue to work for Albertans and deliver a positive impact on the Alberta economy.

(2013-14 lending data as at March 31, 2014; 2012-13 lending data at March 31, 2013)

Direct Loans	Approvals 2013 - 2014			Approvals 2012 - 2013		
	No.	Lending $,000	Project Outlay $,000	No.	Lending $,000	Project Outlay $,000
Farm Loans	1,770	391,589	447,611	1,857	384,929	446,523
Commercial Loans	231	95,538	165,600	250	115,392	198,244
VAAP Loans	102	63,941	142,463	103	52,577	94,462
Total Direct Loans	2,103	551,068	755,674	2,210	552,898	739,229

Growing the Future of Agriculture

AFSC and 4-H are a natural fit

As AFSC prepares to mark its fifth year as a "Champion" of 4-H Alberta, the corporation once again plans to expand its partnership with 4-H in the months ahead.

"It's all part of our continued focus on helping 4-H develop the future generation of agricultural leaders," explains Michelle Pierson, AFSC Community Investment Administrator.

AFSC and 4-H are just a natural fit, says Pierson. "We're both province-wide organizations that share similar values such as our passion for agriculture, our focus on community building, and our commitment to nurturing leadership and entrepreneurial skills."

Making a Difference

"We want to continue growing and nurturing this partnership because 4-H teaches our youth skills that we look for in potential employees who may eventually come to us looking for a job. Their members are also out there making a difference in their communities by doing volunteer work on a regular basis. Those are qualities and attributes we value and want to support," explains Pierson.

AFSC's partnership with 4-H started in 2009 with the launch of a $1000 AFSC scholarship that is awarded annually to a 4-H member planning to study agriculture in college or university.

"Our support of 4-H has grown every year since then. This year, we are proud to be a 4-H Champion – the third highest sponsorship level," says Pierson.

Vital Support

The $32,850 that AFSC will donate to 4-H this year provides vital support to many of its marquis programs – such as Leaders' Conference, Club Week, and District Council programming activities across the province, says Carmen Stone, Manager of Corporate Partnerships with 4-H Alberta.

"Without that AFSC funding, it would be difficult for us to continue offering those programs. The dollars that AFSC provides have a huge impact on keeping youth involved and interested in 4-H at the District level by funding activities such as Venture Out weekends, winter camp, entrepreneurial skills training, and executive training workshops," adds Stone.

As part of its partnership with 4-H, AFSC encourages its staff to volunteer at 4-H events. Employees are keen to get involved, says Pierson. "Our staff attended the District Fun Day in Lethbridge this year. We had staff at the Leaders' Conference. We're on the Scholarship Committee, and this summer we'll be sending two AFSC employees to Club Week – a six-day event for 4-H youth aged 15 to 20."

Employee Volunteers

"Club Week is all about self awareness and personal development," says Stone. "By having AFSC staff participate in events like this, our members can engage with them, which helps with their self-confidence and networking skills through interacting with industry professionals. It's also important for them to understand what AFSC does and how that impacts rural Alberta."

Kelsey Cox is one of the AFSC employees and a former 4-H member who will attend Club Week. Cox grew up in Leduc but was constantly at her uncle's farm, where her passion for agriculture and 4-H took root. "As soon as we had supper we'd go out to the farm and do 4-H chores," she says. "It was 4-H that made me realize that if I wasn't working in agriculture, I wasn't going to be happy."

Cox says she actually found her job as an AFSC Customer Service Representative on the 4-H website. "I was just browsing the website one day to see what was new and I clicked on the AFSC link to see if there were any job openings," says Cox, who adds the rest is history. She now works at the AFSC Branch in Leduc, the same community in which she attended 4-H for 11 years.

Cox says she's excited to volunteer at Club Week and be able to give something back to 4-H, because it gave her so much. "4-H taught me that if you want to be the top showman in that ring, you need to work hard for it. Nothing is just given to you," she says. "I look forward to being on the other side now and helping these young people learn new things about themselves and what they can do to grow."

Changing Lives

Pierson says she's most proud of the impact that AFSC's partnership with 4-H has on the lives of youth across Alberta. "We receive so many handwritten cards, emails, and phone calls thanking us for our support of 4-H. When you read them, you quickly realize that AFSC's financial and volunteer support of 4-H is changing lives for these youth," says Pierson.

She reads one letter that says, "I am deeply grateful for getting the chance to go to Club Week. I got there not knowing barely anyone and left with a ton of new friends. We played a lot of games, got put into small groups that we laughed, talked, and cried with. They were so trusting and like the best friends I never knew I had. I had one of the best times of my life and learned so much." Another reads, "Your funding helps our District Council provide programs and workshops to 130 members in seven 4-H clubs in Cactus Country. 4-H is an excellent program, fostering leadership and self-confidence in our people and we couldn't do it without you."

"All of the thank you notes we receive are so sweet, and clearly illustrate the value of our partnership with 4-H," says Pierson. "And the fact that these youth have taken the time to say thank you to AFSC for its support, that's huge."

AFSC and 4-H: Opening Doors for Alberta's Youth

Carling Matejka says the $1000 AFSC scholarship she received last year from 4-H Alberta is worth much more to her than just money.

"I am very grateful to AFSC for the scholarship. The extra money allows me to focus more on my studies and not have to worry about a part-time job," she says. "I also know that when an employer sees that scholarship on a resume, it tells them that another organization, especially one associated with 4-H, thought this person had the credentials to receive a scholarship."

Beating Out the Competition

Matejka, who has just completed her third year of studies for a BA in Agriculture and hopes to be accepted into Veterinary College this fall, beat out 217 other candidates to win the AFSC scholarship. "It's really an honour that such a credible program picked me to receive this award," she says.

The selection process is rigorous, says Michelle Pierson, AFSC Community Investment Administrator, who sat on the selection committee last year. "They have a scoring system, but it's not all based on academics," she says. "We had a lot of discussion about volunteer work they had participated in. Just because someone has high academics doesn't mean that person is the most deserving all the time."

Matejka grew up on a purebred stock farm near Ponoka and she credits her 10 years spent in 4-H for giving her the confidence and life skills that led to her receiving the $1000 AFSC scholarship.

Supporting the Future Generation of Agriculture

Matejka says 4-H opened so many doors for her, and she's happy to see AFSC supporting 4-H and allowing other young people to have the same opportunities she enjoyed. "4-H is such an amazing program and it really did give me so many skills," says Matejka. "As a child I was really shy – and it taught me I don't need to be – I can talk to people, and I learned that you have to push yourself to succeed and reach your goals."

"4-H opened my eyes to what an amazing industry I can be a part of," says Matejka. "As a student, when I see AFSC supporting the upcoming generation through 4-H, it puts a positive spin on the organization for me because it shows they really support youth and are willing to give back to the younger generation, and they want students to succeed."

Community Investment

Every idea has a place to grow at AFSC.

Many AFSC employees are also farmers and rural dwellers. They like being a part of the communities they work in and being close to the entrepreneurs and businesses they support. AFSC is one of the top employers in Canada because they help their customers succeed.

With more than 50 offices located across Alberta, AFSC has a broad reach throughout the province. Staff who work and live in these communities believe it is important that their employer invest in the organizations and events that help sustain and grow those same communities.

AFSC's support reaches far beyond the communities where its staff lives and works. AFSC supports hundreds of community projects, organizations, and events province-wide each year. In 2013-2014, local and corporate community investment initiatives were directed at organizations such as the Chamber of Commerce, Alberta 4-H, Family and Community Support Services, City Slickers, agricultural societies, and schools.

The year also saw AFSC supporting several major trade shows and events. These included shows such as the Canadian Bull Congress, Advancing Women in Agriculture Conference, Peace Country Classic, Northlands Farm and Ranch Show, Alberta Beef Industry Conference, the Banff Pork Seminar, Growing the North Conference, Agri-Trade and Farming Smarter. Support was also given to numerous agricultural conferences, agriculture tours and seminars, farm safety days, community suppers, farmer appreciation days, and local community and educational events including awards and scholarships, to name a few.

The Canadian Foodgrains Bank is another important organization supported by AFSC. The Canadian Foodgrains Bank provides a practical way for Canadian farmers to share their harvest with the less fortunate. This past year, AFSC sponsored more than 20 locations in Alberta, totaling more than 3,000 acres. AFSC supported these efforts by providing Straight Hail Insurance free of charge on crops donated by partnering communities in Alberta.

Through its community investment program, AFSC plays a vital role in the growth and sustainability of rural Alberta.

The 'Heart' of AFSC

Gordon Gray says he always knew that "AFSC has heart." However, the summer of 2013 proved just how caring and committed to helping others AFSC and its staff truly are when a group of 25 employees from the Lacombe head office – with the full support of senior management – rolled up their sleeves and travelled to High River to pitch in with the flood relief and clean up effort.

Gray, an AFSC employee himself, was driving to work a few days after the flood when he felt a strong need to find a way to help the 12,000 residents of High River who'd been evacuated from their homes.

When he arrived at work, other co-workers in Lacombe were echoing the same sentiment, so Gray sent an e-mail to management asking permission to take a small group of AFSC staff to High River to help out for a day, and possibly a larger group at a later date.

Support From the Top

AFSC President Brad Klak not only gave permission, but allowed the employees to volunteer on company time. "I knew we had a good culture here at work, but it made us all proud to see AFSC stepping up and supporting this worthwhile cause," says Gray, who along with AFSC staffers, Betty Scholing and Robert Forsstrom, helped coordinate three separate volunteer trips to High River over the summer.

Early on Thursday, July 4, four AFSC employees left head office with a truck full of equipment that they thought would be useful in the clean up efforts.

When they arrived in High River they weren't prepared for the devastation they saw. Houses were ripped off their foundations, boats were marooned on front lawns and a train track had been ripped upright and twisted like a rollercoaster. "That train track told the whole story," says Scholing. "Nothing could withstand the force of the water. It swept the mud and debris right through people's houses."

An Enormous Task

Their first job was to help a man who owned a local business to move his equipment out of the damaged building he'd been ordered to evacuate. "He had an enormous task ahead of him. He had business commitments to fulfill that Saturday and his building had about an inch and a half of mud caked on everything," says Gordon. The group promised to stay until the job was done. It took all day to move the equipment out and load it into containers and trailers, which were then taken to a friend's farm.

AFSC staff later found out the rest of the man's tragic personal story. "His sister told us his house had also been flooded and his child – who has a disability called Angelman Syndrome – was on life support in a Calgary hospital. The doctors told him the child couldn't return to High River due to the environmental hazards," says Gray. "It didn't take us long to figure out that we were put in the right place that day."

Hope Amid the Chaos

On another trip, the AFSC volunteers shovelled and scraped mud with their bare hands from the crawl space of an elderly couple's home. "There was a 16-inch space between the floor joists where you could get down and scoop out the muck with a five gallon pail, and then hand the pail to people up top once it was full. There wasn't much space to work in," says Forsstrom.

Scholing's job was to wheelbarrow the mud out to the back alley. "The smell back there was unbelievable," she says. "As I worked, I noticed a single rose sticking up along the fence line in their yard, which was a mess. The rose was about to bloom, so there were still small signs of life and hope among the debris and wreckage."

AFSC volunteers did a lot of backbreaking work in High River that day but nobody complained, says Forsstrom. "People had to be told to take a break."

Many more AFSC staff would have liked to volunteer their time and sweat equity in High River, "but without everybody else staying back to run the corporation and take care of our clients, none of us could have helped out," says Forsstrom. "So it didn't really matter who went – all of AFSC contributed to the cause in one way or another, just by supporting our efforts."

Everyone Was There

AFSC employees who couldn't go to High River found other ways to help the community. They collected personal hygiene items for the Share & Care committee, a staff-run group that organizes fundraisers for various projects and organizations. "We felt strongly that we wanted to help High River," says Michelle Pierson, Chair of the Share & Care Committee. "We had a short turnaround time because we wanted to make sure people received the supplies that were donated immediately." In five days they filled a van and a car. "The response was overwhelming," says Pierson.

Gray says he and the other AFSC volunteers who had travelled to High River later received a thank-you letter from one of the people they had helped. "The letter said that everybody who went down there was restoring some hope for the people they helped," says Gray. "It didn't feel like we did very much but that letter reminded us how important it was to try and help others in some small way, and we are extremely thankful we were able to do that in High River."

Customer Service Commitment

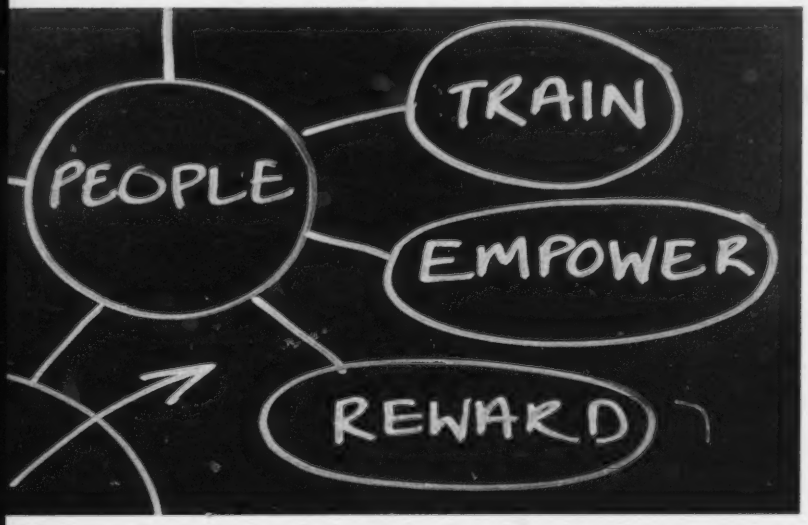
AFSC continues to build upon its solid culture of performance by ensuring staff have the knowledge and tools they require to service our clients with excellence. Employees are the backbone of AFSC and a vital link to providing the high level of service that Alberta producers and business owners have come to expect from us. The 2013-14 year was focused on developing a leadership talent pipeline as AFSC launched its Leadership Development Program with participation from more than 50 managers and staff. On average, AFSC's employees have about 10 years of service with the corporation. However, many employees have been employed with AFSC for more than 20 years. As a result, it is imperative that AFSC prepare its next generation of leaders.

Did you know?

AFSC has held the title of Top Employer in Alberta for the past four years, and has been among Canada's Top 100 Employers for five consecutive years now.

Much work went into refreshing AFSC's Corporate Values and Expected Behaviors in 2013-14. These values and behaviours are foundational to the development of a values-based culture in which employees at all levels of the organization understand and exhibit expected behaviors, regardless of circumstance or interaction. Expected results include high levels of client satisfaction and employee engagement.

Employee growth through training and development continues to be a priority for 2014 with a focus on cross-training and cross-functional career opportunities as we move forward. Additionally, AFSC continues to offer training and development opportunities that are targeted to help employees at all levels of the organization achieve their career goals.



Goals and Corporate Performance

AFSC's 2013-14 Corporate Plan contained additional strategies and an action plan to achieve its goals.

Several AFSC Corporate strategies are client-focused, designed to better serve customers, who include producers on the ground as well as rural and agri-businesses clients. Accordingly, AFSC surveys its clients each year to obtain their feedback and to gauge their satisfaction levels with all programs offered by AFSC. Customer feedback is used to monitor the effectiveness of program delivery and management processes, and to identify areas for continuous improvement.

The AFSC client satisfaction survey is conducted annually by an independent firm, usually in February and March of each year. Approximately 1,500 AFSC clients participating in AgriStability, Lending and AgriInsurance are randomly contacted by telephone. Client anonymity is assured through the use of an independent survey firm and information obtained is protected by provisions in the *Freedom of Information and Protection of Privacy Act.* The 2014 survey will be conducted in the fall of 2014, and the results will be included in next year's Annual Report.

Claim turnaround times are another key performance measure that is important to AFSC clients, government, and other stakeholders. As a result, aggressive claim turnaround targets were set for both AgriInsurance and AgriStability.

AgriInsurance has two key turnaround performance targets. The first is to measure the time between claims being filed and the completion of on-farm inspections by adjusters. Successful meeting that target is dependent on the timing and number of claims filed by clients for crop losses.

The second measure is the time between the adjuster completing an on-farm inspection and when the claim payment is processed.

Similarly, AgriStability has two key turnaround performance targets. The first measure is the time between receipt of complete information and the payment of claims received before August 15. The second measure is the time between receipt of complete information and the payment of claims received after August 15. Meeting these targets depends upon the number of claims filed early versus claims received on or near the September 30 filing deadline, as well as the number and magnitude of additional programs to administer.

In 2013, the actual turnaround time was 41 days (46 days in 2012) for 2012 AgriStability claims *received prior to August 15 and 66 days (58 days for 2012) for 2012 claims received after* August 15. The improvement in claim processing turnaround time prior to August 15 is due to early system implementation, but remains below the target of 30 days. Claims processed after August 15 nears the target of 65 days. Staff availability was down somewhat this year due to the extra work targeted to system changes required for Growing Forward 2.

For Hail Endorsement (HE) and Straight Hail (SH) claims, the 33 day turnaround time between claim filing to inspection failed to meet the target of 18 days, due to widespread hail in 2013 and very high claim numbers. However, this year's time between claim inspection to claim payment of three days was well under the target of 22 days.

For AgriInsurance post-harvest claims, the actual turnaround time of 38 days between claim filing to inspection failed to meet the target of 20 days. However, the time between claim inspection to claim payment turnaround averaged 16 days, meeting the target of 30 days.

The ratio of direct loan dollars compared to project dollars leveraged was 1.37 times direct loan dollars this year based on $551 million in direct loans representing $756 million in total project dollars. This reflects AFSC's role as a catalyst and enabler for investment in Alberta. Lending arrears based on loan value were 1.6 per cent for the entire portfolio. This shows AFSC's loan portfolio is well-managed relative to general economic conditions and similar to other business entities.

Much work occurred in delivering new system development and enhancement projects on time and on budget. Measuring the effectiveness of project management using a weighted-average of on time and on budget shows a delivery result of 80 per cent, surpassing the 75 per cent target.

Lastly, AFSC conducted a staff survey via an independent firm, measuring a variety of factors. In a year of unprecedented organizational change, AFSC maintained an engagement index of 67 per cent on our 2013 Employee Survey, with 80 per cent of staff satisfied overall in their work, 71 per cent proud to tell people they work for AFSC, 65 per cent inspired to give their very best, and 61 per cent preferring to stay with AFSC. Over the course of the next year AFSC will continue to work to enhance staff engagement to create a better experience for its clients.

Enterprise Risk Management

To mitigate the risk involved in AFSC's business activities, the Board of Directors sets goals and strategic priorities for the upcoming fiscal year, which are clearly linked to departmental tactical plans. Because risk management is vital to protecting AFSC's customers, business interests, and long-term viability, AFSC has a comprehensive Enterprise Risk Management plan to mitigate identified risks to acceptable levels. The Enterprise Risk Management plan and practices are overseen by the Board of Directors and its Committees. The Executive Leadership Team is responsible for managing corporate-wide enterprise risk. All levels of management are responsible for ongoing monitoring of risks and implementing appropriate measures to mitigate them.

The Enterprise Risk Management plan ensures that risk-taking activities and practices are appropriate to meet customer needs, while fulfilling AFSC's corporate strategy and goals.

Following is a discussion of some key risks AFSC faces and how these risks are managed.

Strategic Planning

The Board of Directors attend an annual strategic planning retreat, where they review the corporate vision, mission, goals and strategic priorities as identified through an economic and agricultural scan presented by independent experts outside of AFSC. The Board also reviews the mandates of AFSC and its core programs and deals with strategies to address key risks.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, thus resulting in a loss. Security requirements for a loan or guarantee will be different depending on the risk involved in each individual operation. New and emerging businesses are required to provide adequate security, as are enterprises needing specialized or customized equipment. Lending staff continually monitor loan accounts continually to monitor risk and ensure a prompt response to any financial difficulties that customers may encounter. Although these measures don't eliminate risk, they diminish the possibility of significant losses. The breakdown of AFSC's loan portfolio by sector is provided in Note 13 to the financial statements to highlight the areas of credit risk exposure by industry.

AFSC invests surplus funds generated by Production and Hail Insurance operations. The majority of funds are invested in bonds of federal or provincial governments, or securities of corporations that have superior credit ratings to minimize the risk of loss of the investment. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown corporation. AFSC also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher), securities which have relatively low levels of risk.
Payments to some CAIS/AgriStability participants resulted in overpayments when information

provided to AFSC by participants proved to be incorrect or not supported. As this creates a risk of potential non-repayment of the overpayments, AFSC may set off overpayments against any payments to customers.

The insurance coverage that AFSC provides on crops becomes effective at the acceptance of the customer's application for insurance, whether or not payment of premiums has been made in full. To minimize the risk of non-collection of outstanding insurance premiums, AFSC offers a discount for early payment of insurance premiums and arranges a payment schedule for all customers not taking advantage of the discount. Insurance staff monitors outstanding premiums closely, and when required, promptly takes collection action.

AFSC accepts insurance coverage on credit, and offers a discount for premium payments received the earlier of June 25 or within 15 days of the billing date with the exception of Livestock Price Insurance products. These must be paid within 15 days. Clients facing financial difficulties may ask to make arrangements for a payment schedule. Unless specific payments arrangements have been approved, insurance is not renewed when there are outstanding premiums from a prior year.

To reduce AFSC's exposure to insurance program risk, AFSC enters into reinsurance arrangements with private sector reinsurance companies. AFSC selects reinsurance companies with superior credit ratings to mitigate credit risk related to non-recoverability of reinsurance proceeds from private reinsurance companies. In addition, AFSC engages a wide range of reinsurance companies to minimize the concentration of credit risk for the reinsurance contracts within its portfolio.

Interest Rate Risk

Interest rate risk is the impact that future changes in interest rates have on cash flows and fair value of assets and liabilities. To mitigate interest rate risk, AFSC focuses on matching the repayment timing of amounts borrowed with the repayment timing of loans made. AFSC allows its borrowers to repay loans in part or in full at any time without penalty. Repayment of loans by customers in part or in full prior to the contract date is a normal feature of AFSC's lending programs.

AFSC strives to minimize the gap between loan repayment and debt repayment on a regular basis. As loan repayments before maturity are not determinable with reasonable certainty, gaps are identified and dealt with when new borrowings are made. The gap position as of March 31, 2014 is presented in Note 13 to the financial statements.

At March 31, 2014, there was a reasonable gap between the amount of loan and debt repayments due within the one-year period. AFSC has plans to bridge this gap through new borrowing that would result in reducing interest rate risk.

Interest rate risk is further mitigated by AFSC's Investment Policy for surplus funds related to AgriInsurance, hay and pasture insurance, and hail insurance program operations. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments need to be liquidated to meet financial commitments.

Liquidity Risk

Liquidity risk is the potential for financial loss if AFSC cannot meet its financial commitments for cash. As an integral part of liquidity management, AFSC uses sound cash management practices through cash flow statements, with the objective of maintaining sufficient funds to meet business needs at all times. AFSC mitigates liquidity risks by retaining adequate bank balances in operating accounts. These accounts yield a reasonable rate of return through the GOA Consolidated Cash Investment Trust Fund. The investment portfolio of surplus funds in insurance operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. Additionally, AFSC has access to advances from the GOA to meet short-term cash flow needs.

Insurance Risk

Insurance risk is the potential for financial loss if AgriInsurance claims exceed program premiums and reserves in a given year. AFSC applies sound actuarial principles to mitigate insurance risk by setting premium rates to break even with claim payments over a term of 25 years. Independent actuarial firms certify AFSC's major insurance programs to ensure their long-term sustainability and a method of setting premiums that is reasonable.

The federal and provincial governments provide reinsurance funds to AFSC to help mitigate inherent insurance risks for its AgriInsurance program. This is described in more detail in Note 2 (m) to the financial statements. A summary of transactions in the two reinsurance funds is under Note 15 to the financial statements.

AFSC management has also arranged reinsurance with private sector companies to further mitigate risks inherent in the insurance business. In the event that insurance claims exceed a threshold level that has been determined in relation to premiums, these reinsurance arrangements limit AFSC's exposure to insurance program losses.

In 2009 AFSC launched new price risk protection insurance for the cattle sector. The program has yet to build adequate reserves to be able to absorb unexpected levels of claims.

Operational Risk

The risk of loss resulting from insufficient or failed internal processes is referred to as operational risk. AFSC has developed an Enterprise Risk Management plan to provide a framework and common understanding of risk and mitigation measures. Corporate policies and procedures are also in place to ensure internal controls exist and are adequate to reduce exposure to operational risks.

AFSC has established formal processes to monitor compliance with policies and procedures, and managers oversee operational risk in their respective work areas. Finance, Human Resources, Administrative Services and Information Technology manage operational risks specific to their areas as follows:

Business Manager: operational risks inherent in businesses and processes
Finance: credit, interest rate, liquidity and financial controls
Human Resources: employee recruitment, retention, succession planning and employee discipline
Administrative Services: physical facilities and assets, employee safety and security, corporate liability and business continuity
Information Technology: computer information processing systems, electronic information, security, data integrity, disaster recovery and storage, retrieval, and destruction of electronic information.

The Internal Audit Department plans and conducts operational and functional audits based on risk assessments and regularly examines internal process controls and compliance with policies and procedures. External auditors review the effectiveness of internal controls annually. Both external and internal auditing groups report their findings and recommendations to the Board Audit Committee. The recommendations from these two audits are passed to the management team to implement in a timely manner. Management is responsible for periodically reporting progress on implementation of audit recommendations to the Board Audit Committee.

Financial Highlights

NOTE: Please read the following information in conjunction with AFSC's financial statements and attached notes.

Overall, AFSC recorded revenue of $1,098 million and expenses of $597 million resulting in a net surplus of $501 million. The surplus for the year was mainly due to lower crop losses relative to premiums as a result of better than normal yield and quality of crop during the year.

AFSC's assets increased from $3,473 million to $4,034 million of which $1,954 million or 48 per cent represents the loan portfolio. The liabilities of the Corporation increased from $2,061 million to $2,121 million mainly as a result of additional borrowing made to finance new loans.

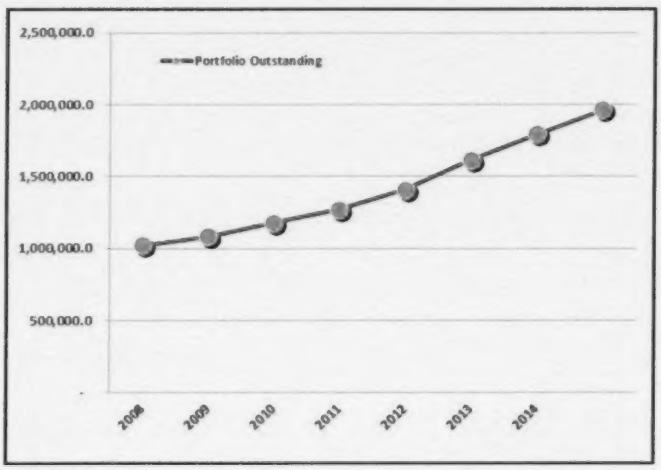
The surplus balance carried over increased to $1,912 million. Included in the surplus balance is $1,802 million in the Crop Insurance Fund made up of a $1,743 million surplus representing the national program, a $25 million surplus representing Alberta initiatives, and a surplus of $34 million representing the Crop Reinsurance Fund of Alberta.

Statistical Summaries

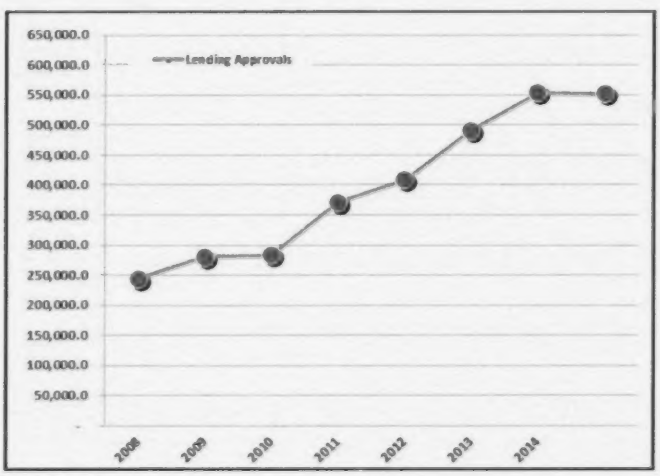
Lending Statistical Summaries (March 31, 2008 to March 31, 2014)

March 31	New Loan Approvals ($,000)	Portfolio Outstanding ($,000)
2014	551,068	1,960,814
2013	552,898	1,789,700
2012	490,013	1,610,286
2011	407,438	1,403,323
2010	370,581	1,265,653
2009	282,610	1,174,018
2008	280,000	1,078,149

Total Loan Portfolio Outstanding 2008 to 2014 ($,000)



Total Loan Dollars Approved (New Lending) 2008 to 2014 ($,000)

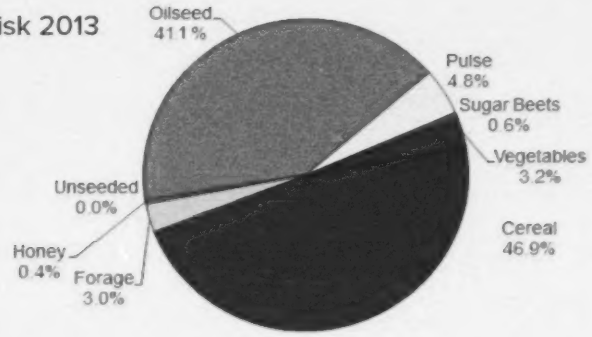


AgriInsurance Statistical Summaries

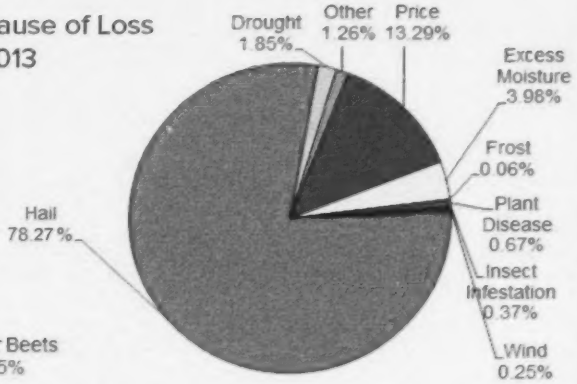
AgriInsurance for Annual and Perennial Crops as at March 31, 2014

Crop Year	Number of Contracts	Acres ,000	Risk $,000	Premium $,000	Loss $,000	Loss/Premium %
2013	18,389	21,694	4,365,453	780,613	301,500	38.6
2012	19,114	21,747	4,699,384	662,566	551,337	83.2
2011	18,762	19,961	3,886,862	612,720	315,853	51.5
2010	20,554	21,285	3,302,273	536,840	357,879	66.7
2009	18,895	19,717	2,758,388	489,993	544,098	111.0
2008	19,083	19,235	2,763,187	452,252	264,591	58.5

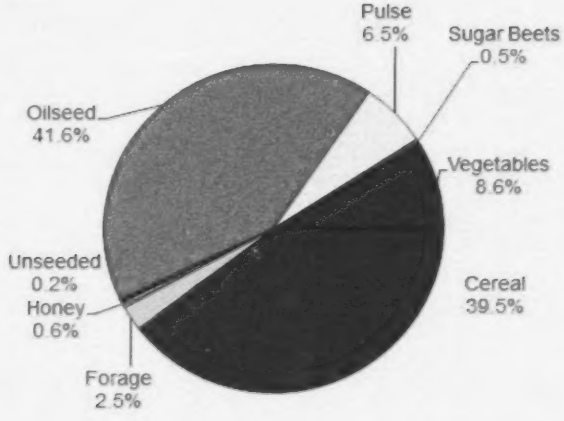
Total Risk 2013



Cause of Loss 2013



Total Loss Dollars, 2013



AgriStability Statistical Summaries

Income Stabilization – AgriStability including Alberta Initiatives (as at March 31, 2014)

Claim Year	Number of Claims Processed	Support Level $,000	Average Support Level $	Participants with Payment (#)	Total Payments $,000	Average Payment $
2012	15,550	2,358,469	185,109	1,102	33,544	30,439
2011	21,025	2,725,386	152,248	2,201	48,515	22,042
2010	23,982	2,596,388	127,368	4,137	130,942	31,651
2009	26,863	2,607,446	112,119	7,856	230,088	29,288
2008	28,861	2,257,738	91,700	4,054	113,523	28,003
2007	31,789	2,379,315	89,928	4,971	143,486	28,865

AFSC Corporate Governance

AFSC operates under the authority of the Agriculture Financial Services Act and the Agriculture Financial Services Regulation as a provincial Crown Corporation. AFSC serves in a public policy role for the Government of Alberta. The Board of Directors provides leadership and direction and oversees management and performance.

Mandate

The Board of Directors is responsible to the Minister of Alberta Agriculture and Rural Development. The roles and responsibilities of the Board of Directors are set out in the *Agriculture Financial Services Act* and in a Memorandum of Understanding (MOU) between the Minister and the Board of Directors.

AFSC is accountable to its stakeholders to manage its program operations in compliance with the regulations and applicable agreements.

Composition of the Board of Directors

As of March 31, 2014, the Board of Directors consisted of eleven Directors. There are 10 independent Directors and the President and Managing Director. The Minister of Agriculture and Rural Development appoints all members to the Board of Directors. The Directors have varied skills and experience and are professionals, entrepreneurs, primary agricultural producers, and agribusiness owners/operators. The Board Chair and Committee Chairs are all independent members.

Governance

Members of the Board of Directors adhere to the Board Governance Handbook. New Board members are provided with orientation as soon as they assume their duties. The Board Code of Conduct and Ethics is reviewed annually, with each Board Director annually confirming compliance in writing. The Board, its Committees and individual Board Directors assess performance annually through a structured evaluation process. The Board continually identifies areas of potential development to enhance effectiveness in governance and in pursuing strategies to achieve continuous improvement.

The Board and Committees meet as often as required, and hold in-camera sessions. The Board ensures that public policy is considered in all decisions. Board members also participate in seminars and conferences to further enhance their skills in dealing with corporate business issues and governance. Board development activities benefit AFSC by enhancing knowledge through annual training and development, on a rotational basis. Aligned with AFSC's corporate values, this allows for sound business decisions, being progressive and encouraging innovation, while taking responsibility for the client experience.

Board Committee Membership and Responsibilities as of March 31, 2014

In conjunction with corporate transformation to a client centric organization with a focus on client experience and growth, the Board completed a comprehensive reevaluation of its committee structure in order to position itself for effective governance under the new strategic direction. Accordingly, the Board committees overseeing specific programs have been discontinued and reorganized to oversee functional areas. Board Credit and Business Risk Management Program Committees have been transformed into Risk Committee with a wider mandate to ensure effective enterprise risk management policies, processes and practices are in place to mitigate corporate risks in all program and service areas. The Board at its March 2014 meeting recognized the need to have the membership of Audit and Risk Committees expanded to include all current Board members because of impending changes to composition of the Board in the coming months as a result of expiry of term of appointment of a majority of Board members. The Board Committees function under formal terms of reference approved by the Board.

Minister of Agriculture and Rural Development:
Honourable Verlyn Olson

AFSC Board of Directors:
George Groeneveld, Chair

Darcy Davis
Bill Daye
Brad Klak *(President and Managing Director)*
Carol Haley
Pat James
Mel McNaughton
Ian Reynolds
Harold Schmaltz
Gail Surkan
John Van Tryp

AFSC Directors' Responsibilities
Strategic Management
Enterprise Risk Management
Corporate Governance and Stewardship
Communication with Stakeholders
Integrity and Ethical Conduct
Fiscal Responsibilities and Financial Reporting

Board Committee Membership

Governance
Gail Surkan, Chair

George Groeneveld
Bill Daye
John Van Tryp
Brad Klak

The Governance Committee assists the Board in fulfilling its Corporate governance and management oversight responsibilities.

Audit Committee
Bill Daye, Chair

All Board members

The Audit Committee oversees the fiscal management, financial reporting, as well as internal/external audit plans, reports, and internal controls.

Risk Committee
John Van Tryp, Chair

All Board members

The Risk Committee oversees the enterprise-wide risk management practices and makes recommendations on the adequacy, appropriateness, and effectiveness of AFSC's enterprise-wide risk management practices.

AFSC Executive Leadership Team

Brad Klak, President and Managing Director
Merle Jacobson, Chief Operating Officer
Donna Bryden, Vice-President, Human Resources and Culture
Darryl Kay, Chief Financial Officer
Wayne McDonald, Vice-President, Innovation and Product Development
Cathy Housdorff, Chief Communications and Marketing Officer
Krish Krishnaswamy, Senior Vice-President, Corporate Services

Management's Responsibility for Financial Reporting

The accompanying financial statements of Agriculture Financial Services Corporation and all other information relating to the Corporation contained in this annual report have been prepared and presented by management who is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian generally accepted accounting standards. The financial statements necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and to ensure corporate assets are safeguarded and liabilities are recognized. The internal control systems are augmented by periodic reviews by the Corporation's internal and external auditors.

The Auditor General of Alberta has been engaged to perform an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards and has expressed his opinion in the accompanying Auditor's Report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Board Audit Committee, composed of Directors who are not employees of the Corporation. The Board Audit Committee meets with the internal auditors and the external auditors both in the presence and in the absence of management to discuss their audit including any findings as to the integrity of financial reporting processes and the adequacy of our systems of internal controls. The internal and external auditors have full and unrestricted access to the Board Audit Committee.

Brad Klak, MBA, ICD.D.
President and Managing Director

Darryl Kay, B. Comm., CA.
Chief Financial Officer

AUDITOR GENERAL
Alberta

Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agriculture Financial Services Corporation as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Merwan N. Saher, FCA

Auditor General

June 4, 2014

Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2014

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Operations

Schedule of Salaries and Benefits

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014
(dollars in thousands)

	2014	2013
ASSETS		
Cash	$ 232,017	$ 261,039
Accounts receivable (Note 3)	11,992	10,877
Due from Government of Alberta	40,176	110,445
Due from Government of Canada	116,260	147,835
Loans receivable (Note 4)	1,954,399	1,777,381
Investments (Note 5)	1,634,743	1,119,771
Tangible capital assets (Note 6)	43,959	45,190
	$ 4,033,546	$ 3,472,538
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	$ 16,719	$ 22,839
Indemnities payable (Note 8)	133,828	202,743
Borrowing from Government of Alberta (Note 9)	1,946,568	1,808,219
Deferred revenue (Note 10)	23,978	27,578
	2,121,093	2,061,379
NET ASSETS		
Net assets at beginning of year	1,411,159	1,350,581
Adjustment to opening net assets (Note 2)	-	(14,205)
Net operating results	501,294	74,783
Net assets at end of year	1,912,453	1,411,159
	$ 4,033,546	$ 3,472,538

The accompanying notes and schedules are part of these financial statements.

Bill Daye, Chair of the Audit Committee

George Groeneveld, Chair of the Board

Brad Klak, President and Managing Director

Darryl Kay, Chief Financial Officer

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

	2014		2013
	Budget	Actual (Schedule 1)	Actual
Revenues:			
Premiums from insured persons	$ 313,216	$ 378,967	$ 314,114
Interest	93,580	85,149	80,485
Contribution from Government of Alberta	310,414	328,198	306,878
Contribution from Government of Canada	276,860	258,570	245,737
Investment income	30,397	32,810	30,598
Fees and other income	12,569	14,200	24,189
	1,037,036	1,097,894	1,002,001
Expenses:			
AgriInsurance	366,208	371,944	616,863
Agriculture Income Support	139,709	73,151	112,142
Lending	113,056	90,471	103,987
Hail Insurance	49,089	42,576	64,111
Livestock Insurance	6,313	8,740	24,859
Wildlife Damage Compensation	7,491	9,718	5,256
	681,866	596,600	927,218
Net operating results	$ 355,170	$ 501,294	$ 74,783

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

	2014	2013
Operating activities:		
Net operating results	$ 501,294	$ 74,783
Non-cash items included in operating results		
Amortization of capital assets	9,516	8,582
Deferred capital contribution recognized as revenue	(4,838)	(3,184)
Amortization of premiums and discounts	7,499	5,694
Unearned revenue recognized as revenue	(11,566)	(12,976)
Allowance for doubtful accounts and for losses	(3,273)	10,102
Gain on sale of investments	(3,907)	(2,972)
Loss on disposal of capital assets	1	(46)
Unearned revenue received	5,732	11,566
Changes in assets and liabilities relating to operations	23,836	(7,656)
Net cash provided by operating activities[1]	524,294	83,893
Investing activities:		
Proceeds from repayments of loans receivable	327,660	316,571
Loan disbursements	(502,067)	(502,915)
Purchase of investments	(1,088,998)	(524,675)
Proceeds on disposal of investments	574,696	483,866
Net cash utilized by investing activities	(688,709)	(227,153)
Capital activities:		
Purchase of tangible capital assets	(8,286)	(7,244)
Proceeds on disposal of tangible capital assets	-	46
Net cash utilized by capital activities	(8,286)	(7,198)
Financing activities:		
Borrowing from the Government of Alberta	330,000	355,000
Contributions restricted for capital	7,072	4,991
Repayment of borrowing from the Government of Alberta	(193,393)	(226,053)
Net cash provided by financing activities	143,679	133,938
Net decrease in cash during the year	(29,022)	(16,520)
Cash at beginning of year	261,039	277,559
Cash at end of year	$ 232,017	$ 261,039

(1) Net cash provided by operating activities includes $69,691 (2013 $68,397) of interest paid.

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAB).

Basis of Financial Reporting:

(a) Revenue Recognition

Premiums from insured persons are recorded as revenue when earned over the insurance policy contract term for AgriInsurance and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgriInsurance programs and is included in Contributions from the Governments of Canada and Alberta. Premiums received by the Corporation in advance of the related policy term are recorded as deferred revenue until earned.

For the Livestock Price Insurance Program premiums are recorded as revenue when a policy is sold.

Government transfers from the Governments of Canada and Alberta are referred to as government contributions. Contributions from the Governments of Canada and Alberta for estimated compensation payments to participants under Agriculture Income Support Programs such as AgriStability (formerly the Canadian Agriculture Income Stabilization (CAIS)), AgriInvest, AgriRecovery and Wildlife Damage Compensation are recognized in the period in which the program payments to producers are determinable. Overpayments of compensation payments under the AgriStability program are recovered through repayment or the reduction of future eligible payments under the program or other programs administered by the Corporation. Overpayments are repayable to the Governments of Canada and Alberta.

Contributions received from the Governments of Canada and Alberta that are restricted for the acquisition of tangible capital assets are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired tangible capital assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, arrears of interest is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as deferred revenue until earned.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

Identifiable administrative expenses for all of the programs administered by AFSC are charged directly to the specific program. Where the direct charging of the administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by management.

(c) Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Valuation of Financial Assets and Liabilities

AFSC's financial assets and liabilities include cash, receivables, loans receivable, investments, accounts payable and accrued liabilities, indemnities payable, borrowing from the Government of Alberta and deferred revenue. All Financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

Since no financial assets or liabilities are recorded at fair value and there were no foreign currency transactions, these statements do not present a Statement of Re-measurement Gains and Losses as the Corporation has no re-measurement gains or losses.

Fair values of loans receivable are not disclosed. Loans receivable consists of developmental loans with uncommon terms such as interest rate rebates/incentives, concessionary interest rates, prepayment (in part or full) with no penalties applicable to all loans, fixed interest rates with longer terms and loans with relatively higher financial risks. Determining the fair values of loans receivable with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

(e) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, net assets and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 3, 4 and 8).

(f) Cash

Cash consists of bank balances. Interest is earned on bank balances as part of funds managed by the Government of Alberta and is included in investment income.

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses

Loans are recorded at the lower of cost and net recoverable value. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs.

The Corporation records valuation allowances to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured. Two types of allowances are established for loans receivable.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses (continued)

Specific allowance – a specific allowance is established after a loan-by-loan review of accounts meeting prescribed criteria indicative of a potential deterioration in the credit quality of debt. The specific allowance for each loan is determined as the difference between the loan principal amount outstanding and the discounted net present value of the related security net of the cost of realization. Changes in net realizable value of security subsequent to the recording of the initial allowance are adjusted through the specific allowance.

General allowance – two types of general allowance are recorded. The first type is for estimated potential losses relating to deterioration in the full recoverability of individual loan accounts which have not yet met management's criteria for setting up a specific allowance at the balance sheet date. A methodology is applied to determine the Corporation's risk exposure to potential losses on individual loan accounts not subject to a specific allowance. The second type is for the aggregate amount owing for individual loans under a specific program or industry sector or a geographical area. In determining the allowance, management considers economic and market conditions and uncertainties affecting recoverability of such loans.

Loans are written off against the related allowance for doubtful accounts and for losses if there is no realistic prospect of future recovery. Any recovery of amounts previously written off is recognized on receipt of proceeds.

(h) Concessionary Loans and Loan Discounts

A loan is considered to have concessionary terms when at inception of the loan, the net present value of expected future cash flows is less than present book value. Book values of concessionary loans are reduced to their net present values by loan discounts expensed in the year in which loans are disbursed and amortized to interest revenue over the period of the concessionary term in proportion to loan repayments received.

(i) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the effective interest rate method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(j) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Tangible Capital Assets including Capital Leases

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. An asset acquired, other than computer software, with a life of more than one year and a cost of $5 or more is capitalized. Computer software acquired from external sources at a cost of $100 or more and software developed by the Corporation costing $500 or more are capitalized.

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incidental to the ownership of the asset to the Corporation are considered capital leases. These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments is the Corporations incremental borrowing rate.

(l) AgriStability, AgriInvest and AgriRecovery Program

Payments under the programs to participants, administration expenses and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40% for AgriInvest program because the program is delivered by Agriculture and Agri-Food Canada.

(m) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance net assets of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 15).

In addition, the Corporation carries reinsurance through private reinsurance companies for AgriInsurance and Hail insurance programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts and are separately disclosed in Schedule 1.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(n) AgriInsurance Net Assets Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance net assets are restricted for AgriInsurance purposes only.

(o) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(p) Transactions with Related Parties

The Government of Alberta significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 14).

(q) Prior Year Adjustment to Opening Net Assets

Effective April 1, 2012 the Corporation changed its policy for recording contributions received from the Federal and Provincial governments that are restricted for the acquisition of tangible capital assets. Previously, restricted capital contributions were recorded as revenue when the tangible capital assets were acquired. As a result of this policy change, restricted capital contributions are recognized as deferred revenue upon receipt and amortized to revenue over the useful life of capital assets. This policy was adopted retroactively without restatement of comparatives. The opening net assets for the prior year decreased by $14,205.

(dollars in thousands)

Note 3 Accounts Receivable

	2014	2013
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	$ 19,434	$ 19,361
Administration fees	549	613
Premiums from insured persons		
AgriInsurance program	2,020	7,368
Livestock insurance program	2,918	561
Hail insurance program	379	196
Amounts due under Western Livestock Price insurance program	1,368	-
Other	4,942	2,665
	31,610	30,764
Allowances for doubtful accounts		
At beginning of year	(19,887)	(21,611)
Decrease (increase) for this year	70	1,469
Write offs, net of recoveries	199	255
At end of year	(19,618)	(19,887)
	$ 11,992	$ 10,877

Included in the allowances for doubtful accounts is $19,434 (2013 $19,361) representing the amount of overpayments under AgriStability and CAIS programs in recognition of the Corporation's role as an agent for collection. Also included in the allowances is $184 (2013 $526) for premiums from insured persons. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management's assessment of collectability of outstanding balance. Actual write-offs realized in future periods could be materially different from management's estimates.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 4 Loans Receivable

Loans receivable are comprised of the following:

	2014			2013
	Farm	Commercial	Total	Total
Performing loans - non concessionary	$ 1,475,764	$ 447,741	$ 1,923,505	$ 1,745,540
Performing loans - concessionary	7,274	-	7,274	10,373
Impaired loans	4,576	25,459	30,035	33,787
	1,487,614	473,200	1,960,814	1,789,700
Accrued interest	24,065	2,201	26,266	25,199
Loan discount	(90)	-	(90)	(126)
	1,511,589	475,401	1,986,990	1,814,773
Allowances	(11,888)	(20,703)	(32,591)	(37,392)
Net carrying value	$ 1,499,701	$ 454,698	$ 1,954,399	$ 1,777,381

Impaired loans balance includes $1,480 (2013 $1,480) for properties held for sale acquired as a result of foreclosure actions.

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. Loans can be repaid in full or part during the term without any penalty.

Allowances for doubtful accounts for loans are as follows:

	Farm	Commercial	2014	2013
At beginning of year	$ 14,255	$ 23,287	$ 37,542	$ 34,168
Increase (decrease) for the year	(2,164)	(1,039)	(3,203)	11,569
Write-offs	(203)	(1,545)	(1,748)	(8,345)
At end of year	$ 11,888	$ 20,703	$ 32,591	$ 37,392
Specific allowance	$ 1,283	$ 14,339	$ 15,622	$ 17,447
General allowance	10,605	6,364	16,969	19,945
	$ 11,888	$ 20,703	$ 32,591	$ 37,392

Valuation allowances of receivables are based on management's best estimate. Actual losses realized may vary significantly from management's estimate.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are $3,749 (2013 $3,326).

Note 4 Loans Receivable (continued)

The composition of the Loans receivable balance by range of effective annual interest rates is as follows:

Effective annual Interest Rate	2014	2013
Less than or equal to 2%	$ 76,218	$ 75,870
2.01% to 3.00%	206,650	158,685
3.01% to 4.00%	501,610	385,337
4.01% to 5.00%	446,125	453,332
5.01% to 6.00%	373,657	322,421
6.01% to 7.00%	289,545	293,929
7.01% to 8.00%	55,365	84,915
Over 8%	11,554	15,085
	1,960,724	1,789,574
Accrued interest	26,266	25,199
Allowance for doubtful accounts	(32,591)	(37,392)
	$ 1,954,399	$ 1,777,381
Weighted average annual interest rate	4.52%	4.67%

Note 5 Investments

	2014	2013
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 843,492	$ 516,450
Other provincial, direct and guaranteed	135,728	180,011
	979,220	696,461
Corporate securities:		
Asset backed securities, AAA rated	329,595	222,665
Senior bank notes	316,952	193,872
	646,547	416,537
	1,625,767	1,112,998
Accrued interest	8,976	6,773
	$ 1,634,743	$ 1,119,771

The fair value of investments at March 31, 2014 is $1,639,850 (2013 $1,132,523). Fair value is based on quoted market prices excluding accrued interest.

(dollars in thousands)

Note 5 Investments (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]				
	Within 1 Year	1 to 5 Years	6 to 10 Years	2014	2013
Bonds and debentures	$ 117,318	$ 835,991	$ 25,911	$ 979,220	$ 696,461
Yield [2]	0.95%	1.44%	2.23%	1.40%	1.30%
Corporate Securities	-	582,535	64,012	646,547	416,537
Yield [2]	-	1.83%	2.58%	1.90%	1.73%
	117,318	1,418,526	89,923	1,625,767	1,112,998
Accrued interest	625	7,972	379	8,976	6,773
	$ 117,943	$1,426,498	$ 90,302	$1,634,743	$1,119,771

[1] Term to maturity classifications are based on contractual maturity date of the security.

[2] Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software		
Estimated Useful Life	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years	2014	2013
Cost						
At beginning of year	$ 347	$ 9,987	$ 7,992	$ 89,166	$ 107,492	$ 101,470
Additions	-	-	2,297	5,989	8,286	7,244
Disposals	-	-	-	(870)	(870)	(1,221)
	347	9,987	10,289	94,285	114,908	107,493
Accumulated amortization						
At beginning of year	-	4,336	4,864	53,103	62,303	54,942
Amortization expense	-	362	949	8,204	9,515	8,582
Disposals	-	-	-	(869)	(869)	(1,221)
	-	4,698	5,813	60,438	70,949	62,303
Net book value at March 31, 2014	$ 347	$ 5,289	$ 4,476	$ 33,847	$ 43,959	
Net book value at March 31, 2013	$ 347	$ 5,651	$ 3,129	$ 36,063		$ 45,190

Computer equipment and software costs include $5,260 (2013 $4,656) of costs incurred that are not amortized because they are still in the development stage.

(dollars in thousands)

Note 7 Accounts Payable and Accrued Liabilities

	2014	2013
Supplies and services	$ 8,090	$ 15,348
Salaries, wages and employee benefits	7,425	6,281
Reinsurance Premiums to Government of Canada	515	543
Other	689	667
	$ 16,719	$ 22,839

Note 8 Indemnities Payable

	2014 (Note 2(l))	2013 (Note 2(l))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	$ 84,564	$ 131,419
Prior claim years	33,905	36,713
	118,469	168,132
AgriInsurance	11,745	25,955
Wildlife compensation	2,030	1,315
Livestock price insurance	1,415	6,363
Hail insurance	169	978
	$ 133,828	$ 202,743

Estimated indemnities payable of $133,828 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of $67,259 to $115,832.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet processed.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

(dollars in thousands)

Note 9 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

The composition of outstanding borrowing from the Government of Alberta by range of effective annual interest rate is as follows:

Effective annual Interest Rate	2014	2013
Less than or equal to 2%	$ 120,000	$ -
2.01% to 3.00%	433,000	383,000
3.01% to 4.00%	784,238	734,238
4.01% to 5.00%	514,751	574,751
5.01% to 6.00%	75,634	99,027
	1,927,623	1,791,016
Accrued interest	14,045	14,266
Unamortized premium	4,900	2,937
	$ 1,946,568	$ 1,808,219
Weighted average annual interest rate	3.62%	3.98%

Principal repayments due in each of the next five years and thereafter are as follows:

Year ending March 31,	2015	$ 45,479
	2016	228,642
	2017	65,506
	2018	68,780
	2019	186,092
	Thereafter	1,333,124
		$ 1,927,623

The estimated fair value of borrowings as at March 31, 2014 is $2,025,893 (2013 $1,945,413). Fair value is an approximation of market value to the holder.

(dollars in thousands)

Note 10 Deferred Revenue

	2014	2013
Unearned revenue	$ 5,732	$ 11,566
Spent deferred capital contributions	18,246	16,012
	$ 23,978	$ 27,578

Unearned revenue

	2014				2013
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	$ -	$ 11,566	$ -	$ 11,566	$ 12,976
Received during year	-	5,732	-	5,732	11,566
Less amounts recognized	-	(11,566)	-	(11,566)	(12,976)
Balance at end of year	$ -	$ 5,732	$ -	$ 5,732	$ 11,566

Spent deferred capital contributions

	2014				2013
	Government of Canada	Non-government	Government of Alberta	Total	Total
Balance at beginning of year	$ 9,607	$ -	$ 6,405	$ 16,012	$ 14,205
Transferred capital assets received	3,792	752	2,528	7,072	4,991
Less amounts recognized as revenue	(2,903)	-	(1,935)	(4,838)	(3,184)
Balance at end of year	$ 10,496	$ 752	$ 6,998	$ 18,246	$ 16,012

Unearned revenue represents premiums received from producers for AgriInsurance programs and fees collected for the AgriStability program relating to the next fiscal year. Spent deferred capital contributions represent contributions received from the Federal and Provincial governments that are restricted for the acquisition of tangible capital assets.

Note 11 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,155 for the year ended March 31, 2014 (2013 $5,479).

At December 31, 2013, the Alberta Management Employees Pension Plan reported a surplus of $50,457 (2012 deficiency $303,423) and the Alberta Public Service Pension Plan reported a deficiency of $1,254,678 (2012 deficiency $1,645,141). At December 31, 2013, the Supplementary Retirement Plan for Alberta Public Service Managers had a deficiency of $12,384 (2012 deficiency $51,870). The Corporation's share of these pension plans' deficiency is not determinable. The Corporation is not responsible for future funding of the plan deficits other than through contribution increases.

Note 12 Contingencies and Contractual Obligations

Contingent Liability

	2014	2013
Loan guarantees	$ 10,226	$ 1,944
Less allowances for losses	(150)	(150)
	10,076	1,794
Legal actions	-	397
Total contingencies	$ 10,076	$ 2,191

Included in loan guarantees is $8.75 million guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the Corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

Note 12 Contingencies and Contractual Obligations (continued)

The Corporation has not been named in any legal matters of which the outcome is not determinable (2013 one).

Contractual Obligations

	2014	2013
Approved, undisbursed loans	$ 181,981	$ 153,436
Reinsurance	25,170	25,441
Operating leases	6,246	3,609
Other contracts	2,556	-
Total commitments	$ 215,953	$ 182,486

The operating lease contractual obligations are for accommodations with terms up to fourteen years.

Note 13 Financial Instruments and Financial Risk Management

Financial instruments comprise the majority of AFSC's assets and liabilities. AFSC is exposed to credit, interest and liquidity risks in respect to its use of financial instruments.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, resulting in a loss to the Corporation.

AFSC's maximum possible exposure to credit risk is as follows:

	2014	2013
Loans receivable	$1,954,399	$1,777,381
Investments	1,634,743	1,119,771
Due from Government of Canada	116,260	147,835
Due from Government of Alberta	40,176	110,445
Accounts receivable	11,992	10,877
Loan guarantees	10,226	1,944
Total commitments	$3,767,796	$3,168,253

Loans receivable - Security requirements for a loan or guarantee depend on the risk involved in each individual operation. Adequate security is required for new and emerging businesses as well as for enterprises needing specialized or customized equipment. To mitigate credit risk, lending staff monitor loan accounts continually to ensure prompt response to any financial difficulties customers may encounter.

(dollars in thousands)

Note 13 Financial Instruments and Financial Risk Management (continued)

Investments - AFSC invests surplus funds generated by Production and Hail Insurance operations. To decrease the risk of loss of investment, the majority of funds are invested in bonds of federal or provincial governments or securities of corporations that have superior credit ratings. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown Corporation. AFSC also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher). Both of these investments consist of securities with relatively low levels of risk.

Due from the Government of Alberta and the Government of Canada – AFSC is not exposed to significant credit risk as payment in full is typically collected when due.

Accounts receivable - Payments to some CAIS/AgriStability participants resulted in overpayments when information provided to AFSC by participants proved to be incorrect or not supported. This creates a risk of potential non-repayment of the overpayments. The Corporation may set off overpayments against any payments to customers.

AFSC provides insurance coverage on crops, effective at the acceptance of the customer's application for insurance, with or without payment of premiums in full. Non-collection of outstanding insurance premiums is a risk. To minimize this risk, a discount is offered for early payment of insurance premiums and arrangements made for a payment schedule for all customers not taking advantage of the discount. Insurance staff closely monitors outstanding premiums and promptly take collection action when required.

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2014		2013	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	$ 945,750	48%	$ 832,017	47%
Cattle	472,814	24%	442,863	25%
Accommodations and Other Services	122,898	6%	110,349	6%
Manufacturing	101,849	5%	87,934	5%
Other Livestock	69,352	4%	66,545	4%
Trade - Retail and Wholesale	68,073	3%	69,063	4%
Commercial and Industrial	49,174	3%	52,096	3%
Transportation and Warehousing	38,092	2%	33,598	2%
Professional Services	30,674	2%	26,055	1%
Other	88,314	5%	94,253	5%
Allowance	(32,591)	-2%	(37,392)	-2%
	$ 1,954,399	100%	$ 1,777,381	100%

Note 13 Financial Instruments and Financial Risk Management (continued)

Interest Rate Risk

Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of financial assets and liabilities. AFSC's interest rate exposure relates to investments, loans receivable, and borrowing from the Government of Alberta.

Investments – Interest rate risk on investments is mitigated by AFSC's Investment Policy for surplus funds. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments may be needed to be liquidated to meet financial commitments.

Loans receivables – Loans receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

Borrowing from the Government of Alberta - The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an annual contribution to the Corporation that includes an amount to bridge the gap between interest revenue from the loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment[1]				Not[2] Interest Rate Sensitive	2014	2013
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	$ 177,499	$ 588,352	$ 566,444	$ 613,664	$ 8,440	$ 1,954,399	$ 1,777,381
Yield	4.69%	4.33%	4.41%	3.75%	-	4.34%	4.77%
Borrowing from Government of Alberta	$ 45,479	$ 549,020	$ 752,403	$ 580,721	$ 18,945	$ 1,946,568	$ 1,808,219
Yield[3]	3.69%	3.76%	3.61%	3.12%	-	3.64%	3.72%
Net gap	$ 132,020	$ 39,332	$ (185,959)	$ 32,943	$ (10,505)	$ 7,831	$ (30,838)

(1) For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

(2) Includes specific and general allowance, accrued interest and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 13 Financial Instruments and Financial Risk Management (continued)

Liquidity Risk

Liquidity risk relates to AFSC's ability to access sufficient funds to meet its financial commitments.

AFSC's primary liquidity risk relates to its liability for insurance claims. Insurance claims are funded firstly with current year premiums collected, which normally exceeds cash requirements. In addition, the investment portfolio of surplus funds in insurance operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. The Corporation also carries private sector reinsurance for AgriInsurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

Note 14 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Corporation.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2014	2013
Revenues:		
Grants	$ 323,397	$ 302,065
Other	4,801	4,813
	$ 328,198	$ 306,878
Expenses:		
Accommodation	$ 784	$ 799
Other services	1,717	1,579
Interest	67,752	66,157
	$ 70,253	$ 68,535
Payable to:		
Ministry of Agriculture and Rural Development	$ 520	$ 500
Ministry of Treasury Board and Finance	1,946,568	1,808,219
Ministry of Service Alberta	4	4
Receivable from:		
Ministry of Agriculture and Rural Development	40,176	110,445
Ministry of Municipal Affairs	-	-
Deferred Revenue from:		
Ministry of Agriculture and Rural Development	6,998	6,405
	$ 1,994,266	$ 1,925,573

Note 15 Crop Reinsurance Funds

The contributions, withdrawals and accumulated net asset positions of the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(m)):

	AgriInsurance Reinsurance Fund of Alberta		AgriInsurance Reinsurance Fund of Canada for Alberta	
	2014	2013	2014	2013
Opening net assets	$ 30,379	$ 27,549	$ 31,056	$ 28,226
Contributions	3,262	2,830	3,262	2,830
Closing net assets	$ 33,641	$ 30,379	$ 34,318	$ 31,056

The net assets balance in Crop Reinsurance fund of Alberta is consolidated in AgriInsurance Fund in Schedule 1.

Note 16 Comparative Figures

The 2013 figures have been reclassified where necessary to conform to 2014 presentation.

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2014
(dollars in thousands)

	2014	2013	2014	2013	2014
	AgriInsurance Note 2(n)	AgriInsurance Note 2(n)	Agriculture Income Support	Agriculture Income Support	Lending
Revenues:					
Premiums from insured persons	$ 309,142	$ 259,074	$ -	$ -	$ -
Interest	719	442	1,300	662	82,984
Contribution from Government of Alberta	266,860	225,959	37,893	59,867	16,404
Contribution from Government of Canada	232,233	205,379	21,282	37,783	-
Investment income	31,929	28,594	327	629	461
Fees and other income	158	64	10,441	11,734	3,149
	841,041	719,512	71,243	110,675	102,998
Expenses:					
Indemnities	306,355	552,193	52,201	92,019	-
Salaries, wages and employee benefits	23,273	22,987	13,007	13,229	17,009
Supplies and services	11,139	11,482	5,001	5,841	5,964
Amortization of tangible capital assets	2,755	2,152	2,751	2,555	2,776
Interest	4	-	2	-	67,925
Reinsurance	28,693	27,966	-	-	-
Allowance for doubtful accounts and for losses (Note 3 & 4)	(275)	83	189	(1,502)	(3,203)
	371,944	616,863	73,151	112,142	90,471
Net operating results	469,097	102,649	(1,908)	(1,467)	12,527
Net assets at beginning of year	1,332,736	1,239,041	5,165	11,778	67,015
Adjustment to opening net assets (Note 2)	-	(8,954)	-	(5,146)	-
Adjusted net assets at beginning of year	1,332,736	1,230,087	5,165	6,632	67,015
Net assets at end of year	$ 1,801,833	$ 1,332,736	$ 3,257	$ 5,165	$ 79,542

2013	2014	2013	2014	2013	2014	2013	2014	2013
Lending	Hail Insurance	Hail Insurance	Livestock Insurance	Livestock Insurance	Wildlife Damage Compensation	Wildlife Damage Compensation	Total	Total
-	$ 46,392	$ 46,549	$ 23,433	$ 8,491	$ -	$ -	$ 378,967	$ 314,114
79,298	100	77	46	6	-	-	85,149	80,485
16,481	-	-	2,173	1,898	4,868	2,673	328,198	306,878
-	-	-	400	-	4,655	2,575	258,570	245,737
1,161	193	245	(76)	(23)	(24)	(8)	32,810	30,598
3,047	383	9,065	(2)	233	71	46	14,200	24,189
99,987	47,068	55,936	25,974	10,605	9,570	5,286	1,097,894	1,002,001
-	37,773	58,506	5,803	22,623	8,607	4,614	410,739	729,955
17,448	1,182	1,225	1,680	1,225	618	374	56,769	56,488
5,567	1,038	1,880	810	585	354	241	24,306	25,596
2,683	734	739	443	426	57	27	9,516	8,582
66,719	-	-	-	-	-	-	67,931	66,719
-	1,918	1,810	-	-	-	-	30,611	29,776
11,570	(69)	(49)	4	-	82	-	- (3,272)	10,102
103,987	42,576	64,111	8,740	24,859	9,718	5,256	596,600	927,218
(4,000)	4,492	(8,175)	17,234	(14,254)	(148)	30	501,294	74,783
71,015	16,079	24,254	(11,225)	3,029	1,389	1,464	1,411,159	1,350,581
-	-	-	-	-	-	(105)	-	(14,205)
71,015	16,079	24,254	(11,225)	3,029	1,389	1,359	1,411,159	1,336,376
67,015	$ 20,571	$ 16,079	$ 6,009	$ (11,225)	$ 1,241	$ 1,389	$ 1,912,453	$ 1,411,159

Schedule 2

AGRICULTURE FINANCIAL SERVICES CORPORATION

SCHEDULE OF SALARIES AND BENEFITS

YEAR ENDED MARCH 31, 2014

(dollars in thousands)

	2014				2013
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Chairman of Board	$ 66	$ -	$ 1	$ 67	$ 82
Board members[4]	289	-	7	296	271
President and Managing Director	475	40	155	670	671
Vice-Presidents					
Senior Vice-President, Corporate Services	266	35	83	384	346
Chief Operating Officer	241	26	75	342	340
Vice-President, Human Resources & Culture	237	21	74	332	320
Vice-President, Sales & Market[5]	209	18	63	290	310
Vice-President, Innovation & Product Development[6]	222	2	66	290	125
Chief Information Officer[6]	191	16	57	264	95
Chief Financial Officer[6]	181	3	53	237	80

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid during the year.

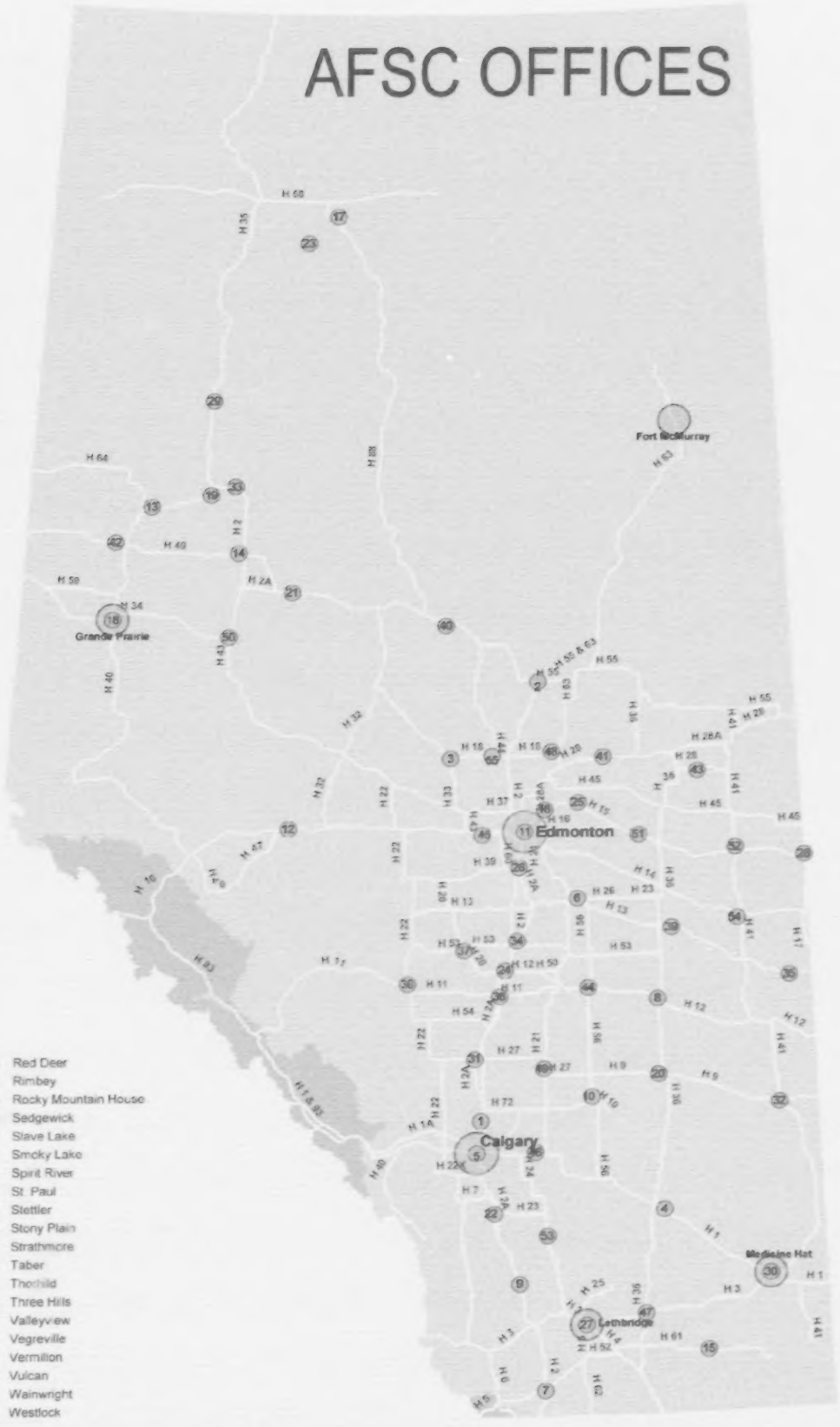
(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to eleven Board members during 2013/14 (eleven in 2012/13).

(5) Position was for eleven months.

(6) Positions commenced December 1, 2012.

AFSC OFFICES



1 Airdrie
2 Athabasca
3 Barrhead
4 Brooks
5 Calgary
6 Camrose
7 Cardston
8 Castor
9 Claresholm
10 Drumheller
11 Edmonton
12 Edson
13 Fairview
14 Falher
15 Foremost
16 Fort Saskatchewan
17 Fort Vermilion
18 Grande Prairie
19 Grimshaw
20 Hanna
21 High Prairie
22 High River
23 La Crete
24 Lacombe
25 Lamont
26 Leduc
27 Lethbridge
28 Lloydminster
29 Manning
30 Medicine Hat
31 Olds
32 Oyen
33 Peace River
34 Ponoka
35 Provost
36 Red Deer
37 Rimbey
38 Rocky Mountain House
39 Sedgewick
40 Slave Lake
41 Smoky Lake
42 Spirit River
43 St. Paul
44 Stettler
45 Stony Plain
46 Strathmore
47 Taber
48 Thorhild
49 Three Hills
50 Valleyview
51 Vegreville
52 Vermilion
53 Vulcan
54 Wainwright
55 Westlock

AIRDRIE
97 East Lake Ramp NE
Airdrie AB T4A 0C3
Insurance Phone: (403) 948-8543
Lending Phone: (403) 948-8529
Fax: (403) 948-1418

ATHABASCA
Provincial Building
100 - 4903 - 50th Street
Athabasca AB T9S 1E2
Insurance Phone: (780) 675-4007
Lending Phone: (780) 675-8160
Fax: (780) 675-3827

BARRHEAD
4924 - 50th Avenue
Barrhead AB T7N 1A4
Insurance Phone: (780) 674-8782
Lending Phone: (780) 674-8785
Fax: (780) 674-8787

BROOKS
Provincial Building
220 - 4th Avenue W
Brooks AB T1R 0G1
Insurance Phone: (403) 362-1262
Lending Phone: (403) 362-1216
Fax: (403) 362-8078

CALGARY
Deerfoot Atrium North
Suite 150 6815 - 8th Street NE
Calgary AB T2E 7H7
Phone: (403) 297-6281
Fax: (403) 297-8461

CAMROSE
PO Box 5000 Stn M
4910 - 52nd Street
Camrose, AB T4V 2V4
AgriStability Analyst:
Phone: (780) 679-1319
Fax: (780) 679-1758
Insurance: Phone: (780) 679-1739
Fax: (780) 679-1758
Lending Phone: (780) 679-1229
Fax: (780) 679-1300

CARDSTON
Provincial Building
576 Main Street
PO Box 1228
Cardston AB T0K 0K0
Insurance Phone: (403) 653-5154
Lending Phone: (403) 653-5138
Fax: (403) 653-5156

CASTOR
4902 - 50th Avenue
PO Box 719
Castor AB T0C 0X0
Phone: (403) 882-3770
Fax: (403) 882-2746

CLARESHOLM
Provincial Building
109 - 46th Avenue W
PO Box 1227
Claresholm AB T0L 0T0
Insurance Phone: (403) 625-3534
Lending Phone: (403) 625-1462
Fax: (403) 625-2862

DRUMHELLER
111 Railway Avenue W
Drumheller AB T0J 0Y0
Phone: (403) 823 3042
Fax: (403) 823-5083

EDMONTON
Room 100
J.G. O'Donoghue Building
7000-113 Street
Edmonton AB T6H 5T6
Phone: (780) 427-2140
Fax: (780) 415-1218

EDSON (By appointment only)
Provincial Building
111 54 Street
Edson AB T7E 1T2
Phone: (780) 980-6155

FAIRVIEW
PO Box 1188
Provincial Building
10209 - 109th Street
Fairview AB T0H 1L0
AgriStability Analyst Phone:
(780) 835-2295
Insurance Phone: (780) 835-2703
Lending Phone: (780) 835-4975
Fax: (780) 835-3994

FALHER
PO Box 658
701 Main Street
Falher AB T0H 1M0
Phone: (780) 837-2521
Fax: (780) 837-8223

FOREMOST
PO Box 37
218 Main Street
Foremost AB T0K 0X0
Phone: (403) 867-3666
Fax: (403) 867-2038

FORT SASKATCHEWAN
8818 – 111th Street
Fort Saskatchewan, AB T8L 3T4
Lending Phone 780-997-6483

FORT VERMILION
5101 River Road
Fort Vermilion, AB T0H 1N0
Insurance Phone (780) 927-4209
Lending Phone: (780) 927-3715
Fax: (780) 927-3838

GRANDE PRAIRIE
102 - 10625 Westside Drive
Grande Prairie AB T8V 8E6
AgriStability Analyst Phone:
(780) 538-5234
Lending Phone: (780) 538-5220
Insurance Phone (780) 538-5355
Fax: (780) 532-2560

GRIMSHAW
PO Box 802
5306 - 50th Street
Grimshaw AB T0H 1W0
Insurance & Lending: Phone:
(780) 332-4494
Fax: (780) 332-1044

HANNA
PO Box 7 (Insurance)
PO Box 349 (Lending)
Provincial Building
401 Centre Street
Hanna AB T0J 1P0
Insurance Phone: (403) 854-5525
Lending Phone: (403) 854-5505
Fax: (403) 854-2590

HIGH PRAIRIE
Provincial Building
PO Box 1259
5226 - 53rd Avenue
High Prairie AB T0G 1E0
Phone: (780) 523-6507
Fax: (780) 523-6569

HIGH RIVER
PO Box 5208
309 - 1 Street SW (2nd Floor)
High River AB T1V 1M3
Ph: (403) 652-8313
Fax: (403) 652-8306

LACOMBE CENTRAL OFFICE
5718 - 56 Avenue
Lacombe AB T4L 1B1
Phone: (403) 782-8200 (Central)
Insurance Phone: 403-782-6800
Lending Phone: 403-782-2719
Fax: 403-782-6753

LA CRETE (part-time location)
10105 94th Avenue
La Crete AB T0H 2H0
Lending Phone: 780-928-2849

LAMONT
PO Box 487
5014 - 50th Avenue
Lamont AB T0B 2R0
Insurance Phone: (780) 895-2266
Lending Phone: (780) 895-2459
Fax: (780) 895-7755

LEDUC
6547 Sparrow Drive
Leduc AB T9E 7C7
Insurance Phone: (780) 986-4088
Lending Phone: (780) 986-0999
Fax: (780) 986-1085

LETHBRIDGE REGIONAL OFFICE
County of Lethbridge Building
200 - 905 - 4th Avenue S.
Lethbridge AB T1J 0P4
AgriStability Analyst Phone:
(403) 382-4383
Insurance Phone: (403) 381-5240
AgriStability & Insurance Fax:
(403) 382-4527
Lending Phone: (403) 381-5102
Lending Fax: (403) 381- 5178

LLOYDMINSTER (part-time location)
4103 - 70 Avenue
Lloydminster AB
T9V 3L9
Ph: (780) 875-3247
Fax: (780) 875-2179

MANNING
PO Box 147
116 - 4th Avenue SW
Manning AB T0H 2M0
Phone: (780) 836-3573
Fax: (780) 836-2844

MEDICINE HAT
111 - 7 Strachan Bay SE
Medicine Hat AB T1B 4Y2
AgriStability Analyst Phone:
(403) 488-4507
Insurance & AgriStability Fax:
(403) 488-4516
Insurance Phone (403) 488-4509
Lending Phone: (403) 488-4508
Lending Fax: (403) 488-4518

OLDS
Provincial Building
101 - 5030 - 50th Street
Olds AB T4H 1S1
Insurance Phone: (403) 556-4334
Lending Phone: (403) 556-4222
Fax: (403) 556-4255

OYEN
PO Box 426
201 Main Street
Oyen AB T0J 2J0
Phone: (403) 664-3677
Fax: (403) 664-2687

PEACE RIVER
Bag 900 -23
9809 - 98th Avenue
Peace River AB T8S 1J5
Insurance & Lending: Phone:
(780) 624-6387
Fax: (780) 624-6493

PONOKA
PO Box 4426
Provincial Building
250 - 5110 - 49th Avenue
Ponoka AB T4J 1S1
Insurance Phone: (403) 783-7071
Lending Phone: (403) 783-7011
Fax: (403) 783-7925

PROVOST
PO Box 716
Provincial Building
5419 - 44th Street
Provost AB T0B 3S0
Insurance & Lending:
Phone: (780) 753-2150
Fax: (780) 753-2876

RED DEER REGIONAL OFFICE
Unit #1 - 7710 Gaetz Avenue
Red Deer AB T4P 2A5
Insurance Phone: (403) 340-5379
Insurance Fax: (403) 340-7999
Lending Phone: (403) 340-5326
Lending Fax: (403) 340-7004

RIMBEY
PO Box 888
Provincial Building
5025 - 55th Street
Rimbey AB T0C 2J0
Insurance & Lending:
Phone: (403) 843-4516
Fax: (403) 843-4150

ROCKY MOUNTAIN HOUSE
4934 - 50 Street
Rocky Mountain House AB
T4T 1B1
Lending: (403) 846-0006
Insurance: (403) 846-2109

SEDGEWICK
PO Box 266
4701 - 48th Avenue
Sedgewick AB T0B 4C0
Phone: (780) 384-3880
Fax: (780) 384-2156

SLAVE LAKE (part-time location)
Slave Lake Govt. Center & Library
101 3rd St. SW
Slave Lake AB T0G 2A2
Phone: (780) 849-7331
Fax: (780) 849-7333

SMOKY LAKE
PO Box 602
Provincial Building
108 Wheatland Avenue
Smoky Lake AB T0A 3C0
Phone: (780) 656-3644
Fax: (780) 656-3669

SPIRIT RIVER
Provincial Building
1st Floor 4602 - 50th Street
Spirit River AB T0H 3G0
Insurance Phone: (780) 864-3896
Lending Phone: (780) 864-4244
Fax: (780) 864-2529

ST. PAUL
5025 - 49th Avenue
Provincial Building
PO Box 406
St. Paul AB T0A 3A4
Insurance Phone: (780) 645-6221
Lending Phone: (780) 645-6453
Fax: (780) 645-2848

STETTLER
PO Box 1807 (Insurance)
Bag 600 (Lending)
5020 50th Street
Stettler AB T0C 2L0
Insurance Phone: (403) 740-4200
Lending Phone: (403) 740-4209
Fax: (403) 740-4210

STONY PLAIN
Provincial Building
4709 - 44th Avenue
Stony Plain AB T7Z 1N4
Insurance Phone: (780) 963-0600
Lending Phone: (780) 963-4720
Fax: (780) 963-1251

STRATHMORE
(includes Blackfoot Reserve)
325 - 3rd Avenue
Strathmore AB T1P 1B4
Insurance Phone: (403) 934-3616
Lending Phone: (403) 934-5353
Fax: (403) 934-5018

TABER
Provincial Building
5011 - 49th Avenue
PO Box 4
Taber AB T1G 1V9
Insurance Phone: (403) 223-7900
Lending Phone: (403) 223-7920
Fax: (403) 223-7985

THORHILD
County Administration Building
PO Box 400
801 - 1st Street
Thorhild AB T0A 3J0
Phone: (780) 398-3933
Fax: (780) 398-2087

THREE HILLS
Provincial Building
160 - 3rd Avenue S
Three Hills AB T0M 2A0
Insurance Phone: (403) 443-8515
Lending Phone: (403) 443-8510
Fax: (403) 443-7519

VALLEYVIEW
Provincial Building
5102 - 50th Avenue
PO Box 1046
Valleyview AB T0H 3N0
Phone: (780) 524-3838
Fax: (780) 524-4565

VEGREVILLE
PO Box 1440
Vinet's Village Mall
Suite 138 4925 - 50th Avenue
Vegreville AB T9C 1S6
AgriStability Analyst Phone:
(780) 603-2332 Ext. 2
Insurance & Lending Phone:
(780) 603-2332
Fax: (780) 632-3385

VERMILION
PO Box 10
Provincial Building
5039 - 40th Avenue
Vermilion AB T9X 1J9
Phone: (780) 581-2345
Fax: (780) 853-1982

VULCAN
PO Box 847
102 - 1st Street S
Vulcan AB T0L 2B0
Insurance Phone: (403) 485-2766
Lending Phone: (403) 485-5141
Fax: (403) 485-2947

WAINWRIGHT
Provincial Building
810 - 14th Avenue
Wainwright AB T9W 1R2
Insurance Phone: (780) 842-7547
Lending Phone: (780) 842-7542
Fax: (780) 842-4948

WESTLOCK
Provincial Building
2 - 10003 - 100th Street
Westlock AB T7P 2E8
Insurance Phone: (780) 349-4544
Lending Phone: (780) 349-4529
Fax: (780) 349-5240

Agriculture Financial Services Corporation
Corporate Office
5718 - 56th Avenue
Lacombe AB T4L 1B1
Phone: 403.782.8200 or 1.877.899.2372
www.AFSC.ca

ISSN 1207-4195